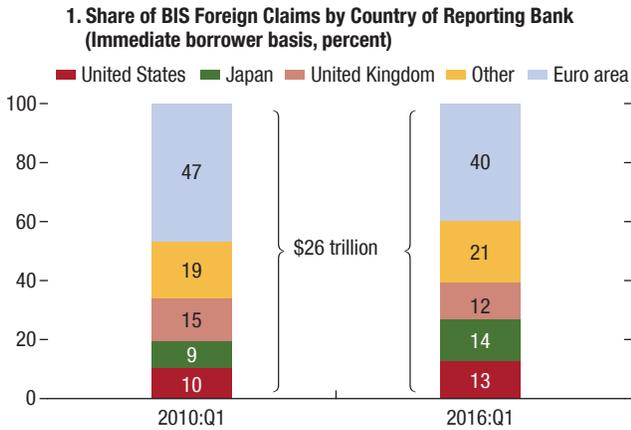


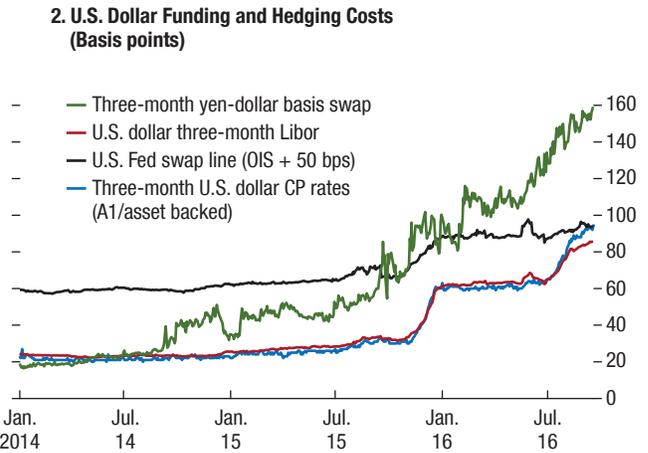
Figure 1.18. Japanese Banks and Foreign Exchange Funding

Japanese banks are expanding overseas ...



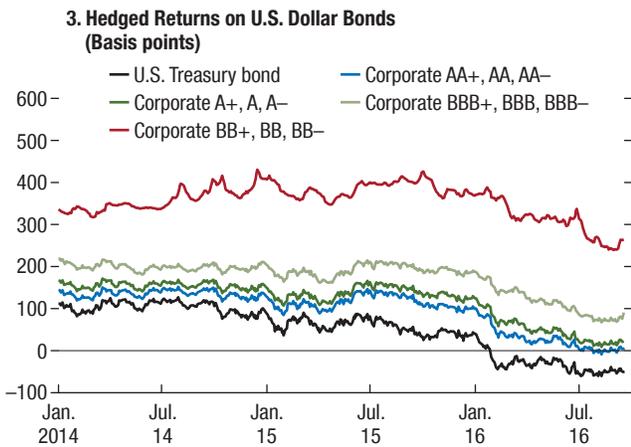
Source: Bank for International Settlements (BIS), Consolidated Banking Statistics.

... but dollar funding and hedging costs have risen ...



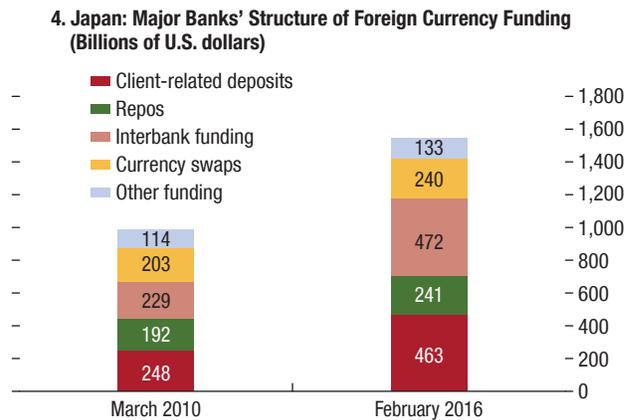
Sources: Bloomberg L.P.; and IMF staff calculations.
 Note: Bps = basis points; CP = commercial paper; Libor = London interbank offered rate; OIS = overnight indexed swap.

... forcing investors into riskier bonds to maintain positive yields.



Sources: Bloomberg L.P.; and IMF staff calculations.

Japanese banks are more reliant on wholesale funding than deposits.



Source: Bank of Japan.
 Note: Repo = repurchase agreement.