



4

Compilation and Reporting of Direct Investment Statistics

It is important to differentiate between data collection (Chapters 2 and 3) and the compilation and reporting of direct investment data, as each of these steps involves special treatment.

4.1 This chapter provides guidance on the compilation of the data that are collected, on data that should be omitted from direct investment, and on the reporting of direct investment statistics for participation in the IMF's CDIS.

Data Compilation

4.2 As recommended in *Balance of Payments and International Investment Position Manual (BPM6)*, direct investment data should be compiled both on an *Asset/Liability basis* and on a *Directional Principle basis* (see paragraph 6.44 in *BPM6*).¹ The Directional Principle basis should be used for reporting the CDIS survey results.

4.3 Using the example of unit B in Figure 4.1, the following describes data to be collected by compilers in Economy 2. As can be seen from Figure 4.1, B is both a direct investment enterprise (DIENT) and a direct investor (DI). Let's assume that Enterprise B has equity investment liabilities of 100 to Enterprise A (nonresident DI); and Enterprise B has equity investment assets (reverse investment²) in Enterprise A of 5. Also, Enterprise B has debt liabilities of 25 to Enterprise A, and that Enterprise B has debt assets (reverse investment) on Enterprise A of 5. Finally, Enterprise B has equity investment assets in Enterprise D of 10 and equity investment assets in Enterprise E of 14, and there are no debt investments between B and D or E.

¹The Directional Principle is a presentation of direct investment data organized according to the direction of the direct investment relationship. It can be contrasted with the asset and liability presentation of aggregates, which are organized according to whether the investment relates to an asset or a liability. (See more detailed information in *BPM6*, paragraphs 6.42–6.43.)

²See description of reverse investment in paragraph 4.9.

4.4 Table 4.1 presents the information collected from Enterprise B by compilers in Economy 2.

4.5 Under the Asset/Liability basis, the data reporting would essentially duplicate the data collection shown in the table.

4.6 Under the Directional Principle basis, investment by a DI in its DIENT and investment by a DIENT in its DI are both recorded in outward direct investment when the DI is a resident of the compiling economy, and both are recorded in inward direct investment when the DIENT is a resident of the compiling economy. That is, investment by a DIENT in its DI is essentially netted against investment by the DI in the DIENT. Table 4.2 shows how the data collected from Enterprise B would be rearranged for compilation under the Directional Principle basis.

Special Cases of Data Compilation

Mutual Direct Investment, Reverse Investment, and Investment in a Fellow Enterprise

4.7 When enterprises in a direct investment relationship have investment in each other, one of three situations arises: mutual direct investment, reverse investment, or investment in a fellow enterprise.

4.8 *Mutual direct investment*: If Enterprise B has 10 percent or more of the voting power in an Enterprise A (which holds 10 percent or more of the voting power in Enterprise B), each is a DI in the other. That is, Enterprise B is both a DIENT of Enterprise A, and a DI in Enterprise A.

4.9 *Reverse investment*: Investment by a resident DIENT in its DI (whether its immediate DI or in a

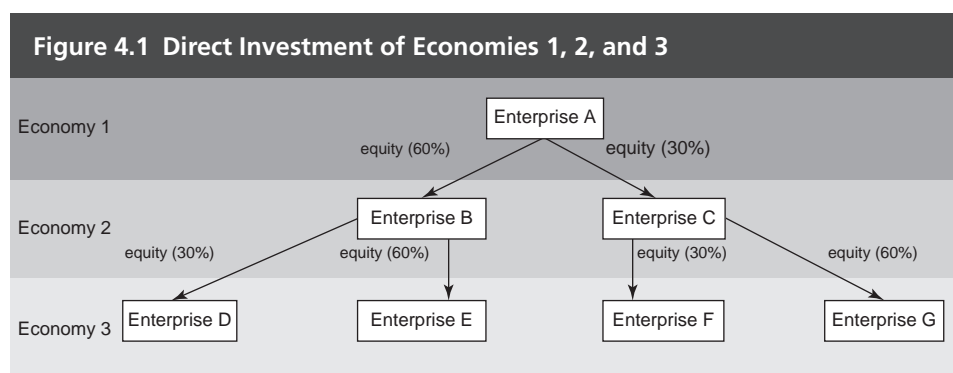


Table 4.1 Economy 2: Direct Investment Position Data Collected from Enterprise B (Asset/Liability Basis)

Position of Enterprise B with:	Enterprise A	Enterprise D	Enterprise E
Assets	10	10	14
Debt instruments	5	0	0
Equity	5	10	14
Liabilities	125	0	0
Debt instruments	25	0	0
Equity	100	0	0

Source: IMF staff.

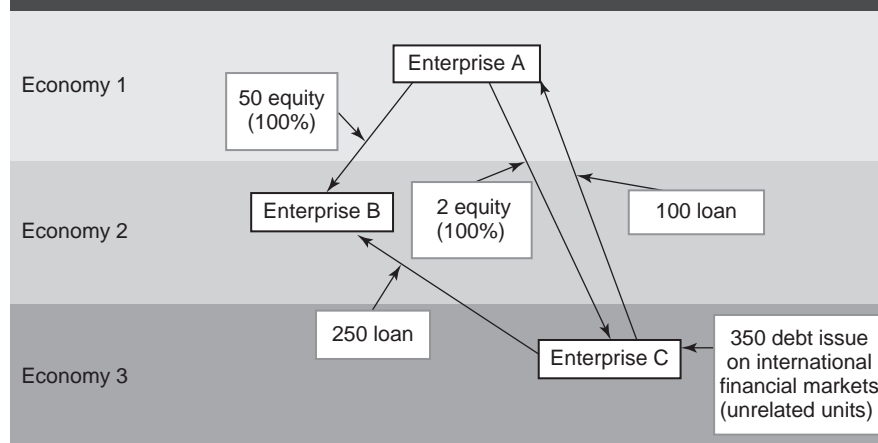
Table 4.2 Economy 2: Direct Investment Position Data Compiled for Enterprise B (Directional Principle Basis)

Position of Enterprise B with:	Enterprise A	Enterprise D	Enterprise E
Outward		10	14
Equity		10	14
Assets		10	14
Liabilities		0	0
Debt instruments			
Assets			
Liabilities			
Inward	115		
Equity	95		
Assets*	-5		
Liabilities	100		
Debt Instruments	20		
Assets*	-5		
Liabilities	25		

Source: IMF staff.

*In the Directional Principle basis, reverse investment (see paragraph 4.9) is recorded with a negative sign.

Figure 4.2 Investments between a DI and DIENT, Reverse Investment, and Investment between Fellow Enterprises



DI that is higher in its ownership chain) provided that it does not own equity comprising of 10 percent or more of the voting power is called *reverse investment*. If DIENT Enterprise B has an investment in its DI (Enterprise A) and that investment represents less than 10 percent of the voting power in DI Enterprise A, then Enterprise B has reverse investment in Enterprise A: Enterprise B is not a DI in Enterprise A. Reverse investment also includes debt instrument claims of a DIENT on its DI.

4.10 *Investment in a fellow enterprise* arises when an enterprise invests in another enterprise with which it has a direct investment relationship, but neither directly or indirectly holds 10 percent or more of the voting power in the other. In *Balance of Payments and International Investment Position Manual (BPM6)* and *Benchmark Definition of Foreign Direct Investment (BD4)*, the concepts of inward and outward direct investment were updated for the recording of investment positions between fellow enterprises.³ In

concept, both asset and liability positions between fellow enterprises are to be recorded in outward direct investment where the ultimate controlling parent (UCP) is a resident, and in inward direct investment where the UCP is a nonresident. However, in the cases where the residence of the UCP companies⁴ is not known, for CDIS reporting purposes, it is acceptable to record assets of a resident fellow enterprise on a nonresident fellow enterprise in outward direct investment, and to record liabilities of a resident fellow enterprise to a nonresident fellow enterprise in inward direct investment. The UCP is the DI at the top of the control chain (i.e., not controlled by any other entity).

4.11 Economies are encouraged to provide metadata that describe their treatment of positions between fellow enterprises.⁵

4.12 Figure 4.2 is used to illustrate the direct investment relationship between a DI and DIENT, reverse investment between a DIENT and a DI, and

³As noted earlier, fellow enterprises are enterprises that have the same direct investor, and the investor must be a DI in at least one of them. Neither fellow enterprise has voting power of 10 percent or more in the other enterprise (or else they are a DI and DIENT instead of fellows). The Extended Directional Principle includes both assets and liability positions between a given pair of fellow enterprises entirely in outward direct investment when the UCP is a resident of the compiling economy, and entirely in inward direct investment when the UCP is a nonresident of the compiling economy. This parallels the (net) recording rules for asset and liability positions that apply to positions between a DI and its DIENT. (In contrast, under earlier recording rules (see *OECD Benchmark Definition of Foreign Direct Investment*, third edition), asset positions

between fellows were recorded in outward direct investment and liability positions were recorded in inward direct investment, or gross recording instead of net recording of these positions. See also paragraph 4.52 in *BD4*).

⁴Depending on how an economy treats Local Enterprise Groups (LEGs), a given position could be recorded in either inward or in outward direct investment, and a given enterprise may be a fellow enterprise instead of a DI or a DIENT.

⁵At the time of writing this *Guide*, about 50 CDIS participating economies reported data for fellow enterprises for inward direct investment and about 30 reported data for fellow enterprises for outward direct investment.

Table 4.3 Asset/Liability Basis			
For Enterprise A			
Assets	52	Liabilities	100
Of DIs in DIs equity in Enterprise B in Enterprise C	50 2	Of DIs to DIs debt instruments to Enterprise C	100
For Enterprise B			
Assets		Liabilities	300
		Of DIs to DIs equity to Enterprise A to fellow enterprises debt instruments to Enterprise C	50 250
For Enterprise C			
Assets	350	Liabilities	2
Of DIs in DIs debt instruments in Enterprise A	100	Of DIs to DIs equity to Enterprise A	2
Of DIs in fellow enterprises debt instruments in Enterprise B	250		
For Enterprises A, B, and C Total Assets	402	For Enterprises A, B, and C Total Liabilities	402

Source: IMF staff.

investment between two fellow enterprises with no equity investment between them.

4.13 In this example:

- Enterprise A owns all of the equity issued by Enterprise B and by Enterprise C (50 by Enterprise B and 2 by Enterprise C).
- Enterprise C has raised 350 on international capital markets through the issue of debt securities. Enterprise A has guaranteed these securities.
- Of these funds raised by Enterprise C, 100 is lent to Enterprise A and 250 to Enterprise

B. Enterprises A, B, and C are all in different economies.

4.14 Under the Asset/Liability basis, these positions would be recorded as shown in Table 4.3.

4.15 Under the Directional Principle basis, using the standard approach for the treatment of fellow enterprises where the UCP is a nonresident of economies 2 and 3, these positions would be recorded as shown in Table 4.4.

4.16 Under the Directional Principle basis, where the residence of the UCP is not known, the positions

Table 4.4 Directional Principle Basis with UCP Known*			
For Enterprise A			
Outward	–48	Inward	
equity assets of DIs in DIs <i>in Enterprise B</i>	50		
<i>in Enterprise C</i>	2		
debt instrument less liabilities of DIs to DIs <i>to C</i>	–100		
For Enterprise B			
Outward		Inward	300
		equity liabilities of DIs to DIs <i>to Enterprise A</i>	50
		debt instrument liabilities of DIs to fellow enterprises <i>to Enterprise C</i>	250
For Enterprise C			
Outward		Inward	–348
		equity liabilities of DIs to DIs <i>to Enterprise A</i>	2
		debt instruments less assets of DIs in DIs <i>to Enterprise A</i>	–100
		less assets of DIs in fellow enterprises <i>to Enterprise C</i>	–250
For Enterprises A, B, and C Total Assets	–48	For Enterprises A, B, and C Total Liabilities	–48

Source: IMF staff.

*See paragraph 4.11

between fellow enterprises are recorded as outward for assets and inward for liabilities. These positions would be recorded as shown in Table 4.5.

4.17 In mutual direct investment, if Enterprise B has 10 percent or more of the voting power in Enterprise A, which holds 10 percent or more of the voting power

in Enterprise B, then each is a DI in the other. That is, Enterprise B is both a DI of Enterprise A and a DI in Enterprise A and vice versa. Under the Directional Principle basis, Enterprise A should record its investment in Enterprise B in outward (Enterprise A is a DI), and the investment provided by Enterprise B in inward (Enterprise A is a DIENT).

Table 4.5 Directional Principle Basis with UCP Unknown*			
For Enterprise A			
Outward	–48	Inward	
equity assets of DIs in DIEs <i>in Enterprise B</i>	50		
<i>in Enterprise C</i>	2		
debt instrument less liabilities of DIs to DIEs <i>to Enterprise C</i>	–100		
For Enterprise B			
Outward		Inward	300
		equity liabilities of DIEs to DIs <i>to Enterprise A</i>	50
		debt instruments liabilities of DIEs to fellow enterprises <i>to Enterprise C</i>	250
For Enterprise C			
Outward	250	Inward	–98
		equity liabilities of DIEs to DIs <i>to Enterprise A</i>	2
debt instruments assets of DIEs in fellow enterprises <i>to Enterprises C</i>	250	debt instruments less assets of DIEs in DIs <i>to Enterprise A</i>	–100
For Enterprises A, B, and C		For Enterprises A, B, and C	
Total Assets	202	Total Liabilities	202

Source: IMF staff.

*See paragraph 4.11

Reporting CDIS Data to the IMF

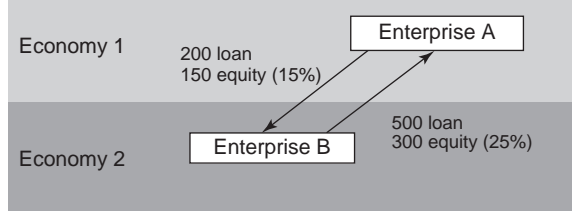
4.18 The CDIS results are reported to the IMF under two data templates and one metadata questionnaire. The detailed data templates and metadata questionnaires are included in Appendix I.

Data Templates

4.19 The IMF requests that economies provide **inward direct investment** position data as shown in Box 4.1.

4.20 Economies with significant **outward direct investment** position data are encouraged to report (see Box 4.2).

4.21 The data templates include a regional breakdown (see Appendix V and <http://data.imf.org/CDIS>). In the eventuality that some bilateral information may be confidential, compilers are asked to report regional breakdowns that would overcome the confidentiality concerns (at the economy level, compilers will use the

Figure 4.3 Special Case on Mutual Investment**Table 4.6 Mutual Direct Investment: Directional Principle Basis (Economy 1)**

Outward	350	Inward	800
Equity	150	Equity	300
DI in DIENT	150	DI in DIENT	300
Debt Instruments	200	Debt Instruments	500
DI in DIENT	200	DI in DIENT	500

Source: IMF staff.

Box 4.1 Data Reporting Template 1: Inward Total by Individual Reporting Economy

- (1) Total Inward Direct Investment for Economy A (= item 2 plus item 3) Of which:
 - 1.a. Total Inward Direct Investment with fellow enterprises abroad (nonresident)
 - 1.b. Total equity and debt instrument liabilities (resident fellow enterprises' liabilities to nonresident fellow enterprises)
 - 1.c. Total equity and debt instrument assets (resident fellow enterprises' assets in nonresident fellow enterprises)
- (2) Equity Inward Net
- (3) Debt Instruments Inward Net (item 3.a plus item 3.b equals item 3, and item 3.c minus item 3.d equals item 3)
 - 3.a. Resident financial intermediaries (liabilities minus assets)
 - 3.b. All other residents (not financial intermediaries): (liabilities minus assets)
 - 3.c. Liabilities
 - 3.d. Assets

Box 4.2 Data Reporting Template 2: Outward Total by Individual Reporting Economy

- (1) Total Outward Direct Investment for Economy A (= item 2 plus item 3) Of which:
 - 1.a. Total Outward Direct Investment with fellow enterprises abroad (nonresident)
 - 1.b. Total equity and debt assets (resident fellow enterprises' assets in nonresident fellow enterprises)
 - 1.c. Total equity and debt instrument liabilities (resident fellow enterprises' liabilities to nonresident fellow enterprises)
- (2) Equity Outward Net
- (3) Debt Instruments Outward Net (item 3.a plus item 3.b equals item 3, and item 3.c minus item 3.d equals item 3)
 - 3.a. Resident financial intermediaries (assets minus liabilities)
 - 3.b. All other residents (not financial intermediaries): (assets minus liabilities)
 - 3.c. Assets
 - 3.d. Liabilities

letter "C" to identify counterpart economies for which direct investment positions are kept confidential). In some cases, data cannot be allocated to a specific economy in the region or to a specific region. In the CDIS data templates, these data are referred as "unallocated"

data. Each region includes a "not specified (including confidential) by region" data category which captures the total amount of confidential data at an economy level for that region plus unallocated data within that region. The compiling economy's global totals in the

data template include a “*Total not specified (including confidential)*” data category that collects the sum of “*not specified (including confidential) by region*” or the total data reported by compilers when this cannot be presented with a regional breakdown.

4.22 Reporters should indicate the reporting currency and unit of account.

Metadata Questionnaire

4.23 In addition to the data in the templates, the IMF seeks descriptive information or metadata from participants. This information is sought on both inward and outward direct investment (if applicable) and should be periodically updated as needed. Particular disclosure should be provided when the reported data deviate from the CDIS recommended standards.

4.24 The CDIS metadata questionnaire provides useful information for data users about compilation methods and practices, and data sources and collection methods of data disseminated. This questionnaire includes, among other information, the following CDIS information:

- *Contact information* of the reporting economy and information about the website used for disseminating direct investment data.
- *Data sources and collection methods.* This includes information on whether data sources for direct investment are based on a sample or a census (with detail by sectors); the primary and secondary source(s) of information used in building the sample frame or census of resident DIENTs/DIs; the reporting threshold applied, indicating if direct investment data below the threshold were estimated; the source(s) of information used to collect CDIS data; the method, if any, used in estimating data for nonresponding units, and whether CDIS data refer to calendar or fiscal year.

- *Valuation principles* for equity investments (listed and unlisted) and for debt instruments (debt securities and other debt instruments). Also, whether accrued interest is included in the valuation of debt instruments.
- *Exchange rate* for financial instruments denominated in a foreign currency.
- *Other specific compilation issues* such as coverage of flexible corporate structures with little or no physical presence; whether the reporting unit is an enterprise or a local enterprise group (LEG); whether positions of/with fellow enterprises are recorded on a straight Asset/Liability basis or depending on the residence of the UCP; information on how economies determine UCP; the method used to determine direct investment relationships; whether direct investment in real estate is included or not; and whether debt (including permanent debt) between selected affiliated financial corporations is included in or excluded from direct investment.
- Questions to assess consistency of CDIS data with the International Investment Position (IIP) are also included.

Reporting Dates for the CDIS

4.25 Reporting date for data: September of each year.

- Preliminary results for reference date (end-year T), and revised data for previous year/s should be reported to the IMF not later than September of year T+1 (nine months after the reference date for the most recent year).

4.26 Chapter 5 of this *Guide*, Undertaking a Direct Investment Survey, provides a broad framework for a timetable for undertaking an enterprise survey.