

**Seventeenth Meeting of the
IMF Committee on Balance of Payments Statistics
Pretoria, October 26–29, 2004**

Bringing Together all Direct Investment-Related Issues

**Prepared by the Statistics Department
International Monetary Fund**

The views expressed in this paper are those of the author and should not be attributed to the International Monetary Fund, its Executive Board, or its management.

DIRECT INVESTMENT TECHNICAL EXPERT GROUP

OUTCOME PAPERS #6 AND #19

(1) Topic: **Bringing together all direct investment-related issues (transactions in goods and services, income, financial flows, stocks between affiliates) as an appendix to the balance of payments manual**

(2) Issues – See DITEG Issues papers #6 and #19

(3) Recommendations

(i) The group agreed that the new balance of payments manual should include an appendix setting out possible presentations on all transactions (including goods and services) and positions between affiliates.

(ii) DITEG recognized that transactions and positions between affiliated financial SPEs are excluded from direct investment under existing international standards. The treatment of SPEs raises similar conceptual and practical questions for the core accounts and supplemental presentations.

(iii) The group agreed that such presentations should be considered satellite accounts (and so, would not be part of the standard reporting requirements), and may vary from country to country, depending on the emphasis that individual countries may wish to place on particular aspects of these relationships.

(4) Rejected alternatives

None

(5) Questions for the Committee and the WIIS

(i) Do the Committee and the WIIS agree that the new manual should include an appendix, setting out possible alternative presentations of transactions between entities in direct investment relationships? See 3(i) above.

(ii) Do the Committee and the WIIS agree that any such presentation of data should be considered to represent a satellite account, and that it not be a standard reporting requirement? See 3(ii) above.

**IMF COMMITTEE ON BALANCE OF PAYMENTS STATISTICS AND OECD
WORKSHOP ON INTERNATIONAL INVESTMENT STATISTICS**

DIRECT INVESTMENT TECHNICAL EXPERT GROUP (DITEG)

ISSUE PAPERS: DITEG # 6 AND 19

**BRING TOGETHER ALL DIRECT INVESTMENT-RELATED ISSUES (TRANSACTIONS IN
GOODS AND SERVICES, INCOME, FINANCIAL FLOWS, STOCKS, BETWEEN
AFFILIATES) AS AN APPENDIX TO THE *BALANCE OF PAYMENTS MANUAL***

**Prepared by Robert Dippelsman,
IMF Statistics Department**

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DIRECT INVESTMENT TECHNICAL EXPERT GROUP

ISSUES PAPERS # 6 AND 19

Bring together all direct investment-related issues (transactions in goods and services, income, financial flows, stocks, between affiliates) as an appendix to the *Balance of Payments Manual*

The structure of the *BPM5* and standard components is built around separate economic processes and phenomena, bringing together all the financial transactions, all the assets, etc. This presentation is useful in showing direct investment in the context of other international accounts phenomena (e.g., direct investment assets compared to total assets or to other types of investment).

However, as a consequence, the standard presentation portrays direct investment in a fragmentary way. For some users, it may also be useful to bring together the different aspects of direct investment all in one place. For example, it may be of interest to examine the transactions during the period in relation to the stock, or income in relation to positions to calculate rates of return. In addition, the goods and services flows between affiliated enterprises, as shown in FATS, could also be shown in that context. Such a presentation was suggested in the *Annotated Outline* (page 176) as a possible topic of an appendix in the new manual.

This suggestion would merely be a presentational change—it would rearrange existing data to emphasize some interrelationships. It would not require any additional data. It is not intended to replace the standard presentation, nor to be part of the standard presentation, but rather the new manual would simply flag the possibility to statistical compilers. Some countries may already have such a presentation in specific direct investment publications.

A possible structure would be:

DIRECT INVESTMENT TRANSACTIONS, POSITIONS, AND OTHER FLOWS

Goods and service flows between affiliated enterprises

Income

Financial transactions

Assets and liabilities

Other changes (exchange rate, revaluation, other)

Other possible data outside BOP/IIP standard items:

Kind of economic activity data; data by partner; rates of return; employment; sales, output, and value added; approvals/permits

IV. Points for discussion

1. *Do DITEG members think that this supplementary presentation should be raised in an appendix to the new manual?*
2. *If so, do DITEG members have suggestions as to the content of such a presentation?*

References

BPM5 Standard Components Tables 7 and 8

Annotated Outline page 176

Manual on Statistics of International Trade in Services, Chapter 4