

This metadata describes the compilation practices, sources and methodology in use in 2003. Please refer to the contact person below for details of any changes that may have been introduced by the country since that time.

Australia:

Direct Investment Compilation Practices, Data Sources and Methodology

Mr. Paul Mahoney
Director
International Investment Section
Economic Statistics Group
Australian Bureau of Statistics
Locked Bag 10 Belconnen
ACT Australia 2616

Telephone: (61-2) 6262-5601
Fax: (61-2) 6252-8003
E-mail: paul.mahoney@abs.gov.au

Direct Investment in Australia

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

Direct Investment Abroad

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

DIRECT INVESTMENT IN AUSTRALIA

BALANCE OF PAYMENTS (“INWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data are compiled by the Australian Bureau of Statistics (ABS) within the balance of payments framework on (a) the components of direct investment income: (i) income on equity (dividends and distributed branch profits), (ii) reinvested earnings, and (iii) income on debt (interest), and (b) the components of direct investment financial flows: (i) equity capital, and (ii) other capital. These data are disseminated with a timeliness of approximately 9 weeks after the end of the reference period in the ABS publication *Balance of Payments and International Investment Position, Australia* (ABS Cat. No. 5302.0). The data are also reported to the IMF and the OECD for publication.

Revision Practices

The data are preliminary when first released. The quarterly data for the current fiscal year (July 1 through June 30) and previous fiscal year are revised each quarter to take account of late responses and results of investigations into complex transactions and are disseminated quarterly together with the preliminary data for the latest quarter. The quarterly data for the prior 2 years (that is, N-3) are revised once a year at the end of the fiscal year, at which time they are considered to be final, that is, up to 45 months after their first release.

The revised status of the data is clearly identified in the disseminated data and the general public are informed, in broad terms, of the reasons for the revisions. The historical data can be revised further than 4 years in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF for publication.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

Data Collection Method

The data are collected on an aggregate basis and the reporting requirements are compulsory.

Data Sources

The data for all components are compiled from quarterly enterprise surveys of resident enterprises. In addition, press reports and information from real estate agents are used as the data source for purchases and sales of land and buildings by individuals.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

A business register of enterprises involved in direct investment is used to compile the inward direct investment transactions data. The register is maintained by the ABS and is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) the financial press, and (iii) compulsory direct investment surveys. The same business register is used to compile the inward direct investment transactions and position data and the outward direct investment transactions and position data.

Geographic Classification

Annual (calendar year) data showing breakdowns by country for the direct investment income data and the direct investment financial flows data compiled by the ABS are disseminated once a year with a timeliness of 6 months after the end of the reference period in the electronic publication *International Investment Position, Australia: Supplementary Country Statistics* (ABS Cat. No. 5352.0) available on the ABS website. (Prior to 2002/03 annual fiscal year data were compiled. These data are no longer compiled and disseminated. However, the 2003 edition of *International Investment Position, Australia: Supplementary Country Statistics* published annual calendar year data back to 2001.) The data showing country breakdowns for both the direct investment financial flows and direct investment income are also reported to the OECD. The data cover 35 countries and bilateral data are not used in the compilation of the data.

The debtor/creditor principle is used as the basis for the geographic allocation of the data. The five countries with the largest amount of direct investment income from investment in Australia during fiscal year 2001/2002 (ranked in descending order) were: the United States, the United Kingdom, Japan, Hong Kong SAR, and Switzerland. The five countries with the largest amount of direct investment financial flows into Australia during fiscal year 2001/2002 (ranked in descending order) were: the United States, the United Kingdom, Singapore, Hong Kong SAR, and Canada.

In addition to the data showing country breakdowns, annual data compiled by the ABS showing breakdowns of the direct investment income data and the direct investment financial flows data for the following regions/economic zones are disseminated once a year with a timeliness of 6 months after the end of the reference period in *International Investment Position, Australia: Supplementary Country Statistics*: (i) the EU15, (ii) the OECD, (iii) the ASEAN countries, and (iv) the APEC countries. The data are also reported to the OECD.

There are no differences in the data coverage, sources, etc. between the inward transactions data showing geographic breakdowns disseminated in the national publications and reported to the OECD and the aggregate inward data on direct investment income and direct investment financial flows reported to the IMF for publication.

Industrial Classification

Annual data showing breakdowns by industrial activity for the direct investment financial flows are compiled by the ABS with a timeliness of 6 months after the end of the reference period. These data are not disseminated, but are available on request, subject to confidentiality constraints. The data showing breakdowns by industrial activity for the direct investment financial flows are also reported to the OECD. The data show a breakdown for 12 industrial activities, plus "other" and "unallocated". The classification used is the Australian and New Zealand Standard Industry Classification (ANZSIC), which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by industrial activity for the direct investment income are not compiled.

The data on direct investment financial flows are classified on the basis of the industrial activity of the resident direct investment enterprises. The list of five industrial activities with the largest amount of direct investment financial flows into Australia is not available, as the information has been confidential for at least the last three years.

Data showing breakdowns by (i) industrial activity and main partner country, and (ii) industrial activity and region/economic zone, are not compiled.

There are no differences in the data coverage, sources, etc. between the inward transactions data showing industrial activity breakdowns made available on request and reported to the OECD, and the aggregate inward data on direct investment financial flows reported to the IMF for publication.

B. Methodology

Definition of Direct Investment Enterprises in Australia

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Australia is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management—that is, enterprises in which the nonresident direct investor owns 10 percent or more but

does not have an effective voice in management are included, while enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual nonresident investor or group of related nonresident investors, rather than being calculated by combining the holdings of all nonresident investors in a specific enterprise or from a specific country. No value threshold is used to identify resident direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, (i) the direct investment earnings data include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include all equity and other capital transactions made directly between resident enterprises of a related group as defined in the FCS and nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in Australia are not required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, or (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings

In accordance with the international standards, the “Current Operating Performance Concept” (COPC) is fully used to calculate direct investment earnings. Specifically: (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses are excluded, (iii) interest receivable/payable is included, and (iv) debt repayments receivable/payable are excluded.

Treatment of Income on Equity (Dividends and Distributed Branch Profits)

The data on dividends and distributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded gross of any withholding taxes, (ii) dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are declared payable, (iii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iv) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks.

Treatment of Reinvested Earnings and Undistributed Branch Profits

The data on reinvested earnings and undistributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings and undistributed branch profits are recorded in the period in which they are earned, (ii) the data include reinvested earnings and undistributed branch profits between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings.

Treatment of Income on Debt (Interest)

The data on income on debt (interest) cover both incorporated enterprises and unincorporated enterprises and include interest on (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude interest on (i) financial derivatives, and (ii) interest on deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. In accordance with the international standards, (i) the data are recorded on an accrual basis, (ii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including

SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

Treatment of Equity Capital

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, (iv) other non-voting stocks (shares), and (v) noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity transactions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

Treatment of Other Capital

The other capital transactions data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include non-participating preference [preferred] shares, (ii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks, and (iv) the data include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as “long-term non-commercial financing arrangements such as subordinated loan capital, or other long-term non-equity capital extended to an enterprises by an affiliated financial intermediary.”)

In instances when a loan/debt guarantee provided by a direct investor or related direct investment enterprise is invoked following default by a direct investment enterprise, no transaction is recorded in the balance of payment statistics, as the assumption of the liability by the guarantor is shown in an “other change in volume” in the position data.

Treatment of Reverse Investment

Transactions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Australia and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity transactions are recorded as “Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises” and loan transactions are recorded as “Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises”.

Assuming that the direct investment enterprise is a resident of Australia and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity transactions are recorded as “Direct Investment in Australia: Equity Capital: Decrease in Liabilities to Direct Investors”, rather than as “Direct Investment in Australia: Equity Capital: Increase in Claims on Direct Investors”. In accordance with the international standards, loan transactions are recorded as “Direct Investment in Australia: Other Capital: Increase in Claims on Direct Investors” and are reported as such to the IMF.

Treatment of Quasi-corporations

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Australia by nonresidents of: (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

Treatment of Offshore Enterprises

In accordance with the international standards, activities of offshore enterprises established in Australia by nonresidents are included in the direct investment data.

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, (i) activities of SPEs established in Australia by nonresidents are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established in Australia by nonresidents that have the primary purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt.

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data include purchases and sales of land and buildings in Australia by nonresident enterprises and individuals. Land and buildings purchased in Australia by nonresident enterprises and nonresident individuals on long-term leases are not included.

Treatment of Natural Resources Exploration

In accordance with the international standards, expenditure related to natural resources exploration in Australia by nonresidents is included in the equity capital data. Contrary to the international standards, expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, as this information is not available from the present data sources. In accordance with the international standards, in instances of the shutdown of a direct investment enterprise established in Australia by nonresidents for natural resource exploration, no transactions are shown in the balance of payments statistics.

Exchange Rate Conversion

Transactions were converted to the unit of account either at that the mid point between the buy and sell exchange rate applicable at the time of the transaction, or at the exchange rate prevailing on the day of the transaction.

DIRECT INVESTMENT IN AUSTRALIA

INTERNATIONAL INVESTMENT POSITION LIABILITIES (“INWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data are compiled by the Australian Bureau of Statistics (ABS) within the international investment position (IIP) framework on (a) equity capital and reinvested earnings, and (b) other capital, and are disseminated with a timeliness of approximately 9 weeks after the end of the reference period in the ABS publication *Balance of Payments and International Investment Position, Australia* (ABS Cat. No. 5302.0). The data are also reported to the IMF and the OECD for publication.

Revision Practices

The data are preliminary when first released. The quarterly data for the current fiscal year (July 1 through June 30) and previous fiscal year are revised each quarter to take account of late responses and results of investigations into complex transactions and are disseminated quarterly together with the preliminary data for the latest quarter. The quarterly data for the prior 2 years (that is, N-3) are revised once a year at the end of the fiscal year, at which time they are considered to be final, that is, up to 45 months after their first release.

The revised status of the data is clearly identified in the disseminated data and the general public are informed, in broad terms, of the reasons for the revisions. The historical data can be revised further than 4 years in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF for publication.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

Data Collection Method

The data are collected on an aggregate basis and the reporting requirements are compulsory.

Data Sources

The data for all components are compiled from quarterly enterprise surveys of resident enterprises. The perpetual inventory method (a method for deriving position data from transactions data) is used to compile the data on ownership of land and buildings by nonresident individuals, which are estimates based on transactions and indicator information on valuation changes.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

A business register of enterprises involved in direct investment is used to compile the inward direct investment position data. The register is maintained by the ABS and is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) the financial press, and (iii) compulsory direct investment surveys. The same business register is used to compile the inward direct investment transactions and position data and the outward direct investment transactions and position data.

Geographic Classification

Annual data showing breakdowns by country for the inward direct investment position data compiled by the ABS are disseminated once a year with a timeliness of 6 months after the end of the reference period in the electronic publication *International Investment Position, Australia: Supplementary Country Statistics* (ABS Cat. No. 5352.0) available on the ABS website. (Prior to 2002/03 quarterly data were compiled and used to compile annual fiscal year data. These data are no longer compiled and disseminated. However, the 2003 edition of *International Investment Position, Australia: Supplementary Country Statistics* published annual calendar year data back to 2001.) The data showing country breakdowns for the inward direct investment position data are also reported to the OECD. The data cover 35 countries and bilateral data are not used in the compilation of the data.

In accordance with the international standards, the data are compiled on an “immediate country” basis. The five countries with the largest amount of direct investment in Australia as at the end of fiscal year 2001/2002 (ranked in descending order) were: the United States, the United Kingdom, Hong Kong SAR, and Singapore.

In addition to the data showing country breakdowns, annual data compiled by the ABS showing breakdowns of the inward direct investment position data for the following regions/economic zones are disseminated once a year with a timeliness of 6 months after the end of the reference period in *International Investment Position, Australia: Supplementary Country Statistics*: (i) the EU15, (ii) the OECD, (iii) the ASEAN countries, and (iv) the APEC countries. The data are also reported to the OECD.

There are no differences in the data coverage, sources, etc. between the inward position data showing geographic breakdowns disseminated in the national publications and reported to the OECD and the aggregate inward position data reported to the IMF for publication.

Industrial Classification

Annual data showing breakdowns by industrial activity for the inward direct investment position data are compiled by the ABS with a timeliness of 6 months after the end of the reference period. These data are not disseminated, but are available on request, subject to confidentiality constraints. The data showing breakdowns by industrial activity for the inward direct investment position data are also reported to the OECD. The data show a breakdown for 12 industrial activities, plus “other” and “unallocated”. The classification used is the Australian and New Zealand Standard Industry Classification (ANZSIC), which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

The inward position data are classified on the basis of the industrial activity of the resident direct investment enterprises. The five industrial activities with the largest amount of direct investment in Australia as at the end of 2002/2003 fiscal year, that is, June 30 2003 (in descending order) were: (i) manufacturing, (ii) mining, (iii) finance and insurance services, (iv) wholesale trade, and (v) property and business services. (The information on the five industrial activities with the largest amount of direct investment in Australia has been confidential for at least the last three years.)

Data showing breakdowns by (i) industrial activity and main partner country, and (ii) industrial activity and region/economic zone, are not compiled.

There are no differences in the data coverage, sources, etc. between the inward position data showing industrial activity breakdowns made available on request and reported to the OECD, and the aggregate inward position data reported to the IMF for publication.

B. Methodology

Definition of Direct Investment Enterprises in Australia

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Australia is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management—that is, enterprises in which the nonresident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual

nonresident investor or group of related nonresident investors, rather than being calculated by combining the holdings of all nonresident investors in a specific enterprise or from a specific country. No value threshold is used to identify resident direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, the data include (i) the relevant share of the reinvested earnings of indirectly-owned direct investment enterprises, and (ii) all equity capital and other capital positions held directly by resident enterprises of a related group as defined in the FCS with nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these direct investors or enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in Australia are not required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, or (ii) identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings

The equity capital position data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, (iv) other non-voting stocks (shares), and (v) noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity positions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings are recorded in the period in which they are earned, (ii) the data include reinvested earnings between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment in Australia.)

Treatment of Other Capital

The other capital position data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include non-participating preference [preferred] shares, (ii) the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks, and (iv) the data include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as “long-term non-commercial financing arrangements such as subordinated loan capital, or other long-term non-equity capital extended to an enterprises by an affiliated financial intermediary.”)

In instances when a loan/debt guarantee provided by a direct investor or related direct investment enterprise is invoked following default by a direct investment enterprise, the entire amount of the loan/debt guarantee outstanding is treated as “other changes in volume” and classified under direct investment lending by the guarantor and recorded under “Liabilities: Direct Investment in Australia: Other Capital: Liabilities to Direct Investors” at the time the guarantee is invoked.

Treatment of Reverse Investment

Positions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Australia and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity positions are recorded as "Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises" and loan positions are recorded as "Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of Australia and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity positions are recorded as "Liabilities: Direct Investment in Australia: Equity Capital: Liabilities to Direct Investors", rather than as "Liabilities: Direct Investment in Australia: Equity Capital: Claims on Direct Investors". In accordance with the international standards, loan positions are recorded as "Liabilities: Direct Investment in Australia: Other Capital: Claims on Direct Investors", and are reported to the IMF as such.

Treatment of Quasi-corporations

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Australia by nonresidents of: (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

Treatment of Offshore Enterprises

In accordance with the international standards, activities of offshore enterprises established in Australia by nonresidents are included in the direct investment data.

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, (i) activities of SPEs established in Australia by nonresidents are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established in Australia by nonresidents that have the primary purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt.

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data include ownership of land and buildings in Australia by nonresident enterprises and individuals. Land and buildings owned in Australia by nonresident enterprises and nonresident individuals on long-term leases are not included.

Treatment of Natural Resources Exploration

In accordance with the international standards, expenditure related to natural resources exploration in Australia by nonresidents is included in the equity capital data. Contrary to the international standards, expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, as this information is not available from the present data sources. In accordance with the international standards, in instances of the shutdown of a direct investment enterprise established in Australia by nonresidents for natural resource exploration, an adjustment to reflect that shutdown is made to the liabilities data on direct investment equity capital in the international investment position statistics.

Valuation of Assets and Liabilities

The data on equity capital for listed enterprises are recorded at market values. The data on equity capital for unlisted enterprises are recorded at book values, which are directors' valuations, which are net asset values recorded at estimated market values, rather than historical values. (Net asset values are defined as being equal to total assets, including intangibles, less (i) non-equity liabilities, and (ii) the paid-up value of non-voting shares.)

The data on other capital are recorded at market values or estimated market value using (in order of preference) one of the following methods (i) the yield to maturity, (ii) the discounted net present value, (iii) the face value less written down value of discount method, (iv) the issue price plus amortization of discount method, or (v) other "mark to market" methods. For loans and trade credits etc., when the book value has not been revalued to market values the data are valued using the nominal (face value) as the approximation of market value.

The book values used are those shown in the accounting records of the resident direct investment enterprises, rather than the nonresident direct investors.

Exchange Rate Conversion

All positions are converted to the unit of account at the exchange rate prevailing on the date to which the position data relate.

DIRECT INVESTMENT ABROAD

BALANCE OF PAYMENTS (“OUTWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data are compiled by the Australian Bureau of Statistics (ABS) within the balance of payments framework on (a) the components of direct investment income: (i) income on equity (dividends and distributed branch profits), (ii) reinvested earnings, and (iii) income on debt (interest), and (b) the components of direct investment financial flows: (i) equity capital, and (ii) other capital. These data are disseminated with a timeliness of approximately 9 weeks after the end of the reference period in the ABS publication *Balance of Payments and International Investment Position, Australia* (ABS Cat. No. 5302.0). The data are also reported to the IMF and the OECD for publication.

Revision Practices

The data are preliminary when first released. The quarterly data for the current fiscal year (July 1 through June 30) and previous fiscal year are revised each quarter to take account of late responses and results of investigations into complex transactions and are disseminated quarterly together with the preliminary data for the latest quarter. The quarterly data for the prior 2 years (that is, N-3) are revised once a year at the end of the fiscal year, at which time they are considered to be final, that is, up to 45 months after their first release. The revised status of the data is clearly identified in the disseminated data and the general public are informed, in broad terms, of the reasons for the revisions. The historical data can be revised further than 4 years in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF for publication.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

Data Collection Method

The data are collected on an aggregate basis and the reporting requirements are compulsory.

Data Sources

The data for all components are compiled from quarterly enterprise surveys of direct investors resident in Australia.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

A business register of enterprises involved in direct investment is used to compile the outward direct investment transactions data. The register is maintained by the ABS and is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) the financial press, and (iii) compulsory direct investment surveys. The same business register is used to compile the outward direct investment transactions and position data and the inward direct investment transactions and position data.

Geographic Classification

Annual data showing breakdowns by country for the direct investment income data and the direct investment financial flows data compiled by the ABS are disseminated once a year with a timeliness of 6 months after the

end of the reference period in the electronic publication *International Investment Position, Australia: Supplementary Country Statistics* (ABS Cat. No. 5352.0) available on the ABS website. (Prior to 2002/03 quarterly data were compiled and used to compile annual fiscal year data. These data are no longer compiled and disseminated. However, the 2003 edition of *International Investment Position, Australia: Supplementary Country Statistics* published annual calendar year data back to 2001.) The data showing country breakdowns for both the direct investment financial flows and direct investment income are also reported to the OECD. The data cover 35 countries and bilateral data are not used in the compilation of the data.

The debtor/creditor principle is used as the basis for the geographic allocation of the data. The five countries with the largest amount of direct investment income from investment abroad by residents of Australia during fiscal year 2001/2002 (ranked in descending order) were: the United States, the United Kingdom, New Zealand, Hong Kong SAR, and Japan. The five countries with the largest amount of direct investment financial flows from Australia during 2002 (ranked in descending order) were: the United States, the United Kingdom, New Zealand, the Netherlands, and Switzerland.

In addition to the data showing country breakdowns, annual data compiled by the ABS showing breakdowns of the direct investment income data and the direct investment financial flows data for the following regions/economic zones are disseminated once a year with a timeliness of 6 months after the end of the reference period in *International Investment Position, Australia: Supplementary Country Statistics*: (i) the EU15, (ii) the OECD, (iii) the ASEAN countries, and (iv) the APEC countries. The data are also reported to the OECD.

There are no differences in the data coverage, sources, etc. between the outward transactions data showing geographic breakdowns disseminated in the national publications and reported to the OECD and the aggregate outward data on direct investment income and direct investment financial flows reported to the IMF for publication.

Industrial Classification

Annual data showing breakdowns by industrial activity for the direct investment financial flows are compiled by the ABS with a timeliness of 6 months after the end of the reference period. The data are not disseminated, but are available on request, subject to confidentiality constraints. The data showing breakdowns by industrial activity for the direct investment financial flows are also reported to the OECD. The data show a breakdown for 12 industrial activities, plus "other" and "unallocated". The classification used is the Australian and New Zealand Standard Industry Classification (ANZSIC), which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by industrial activity for the direct investment income are not compiled.

The data on direct investment financial flows are classified on the basis of the industrial activity of the resident direct investors. The five industrial activities with the largest amount of direct investment financial flows from Australia during the 2002/2003 fiscal year ending June 30, 2003 (in descending order) were: (i) manufacturing, (ii) mining, (iii) unallocated, (iv) finance and insurance services, and (v) communication services.

Data showing breakdowns by (i) industrial activity and main partner country, and (ii) industrial activity and region/economic zone, are not compiled.

There are no differences in the data coverage, sources, etc. between the outward transactions data showing industrial activity breakdowns made available on request and reported to the OECD, and the aggregate outward data on direct investment financial flows reported to the IMF for publication.

B. Methodology

Definition of Direct Investors

In accordance with the international standards, the basic criterion for defining resident direct investors is 10 percent ownership by a resident investor of an enterprise abroad, regardless of whether the investor has an effective voice in management—that is, enterprises abroad in which the resident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises abroad in which the resident investor owns less than 10 percent but has an effective voice in management are not included. In accordance with the international standards, the 10 percent ownership is based on the ownership of each

individual resident investor or group of related resident investors, rather than being calculated by combining the holdings of all resident investors in a specific enterprise abroad or in a specific country abroad. No value threshold is used to identify resident direct investors, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, (i) the direct investment earnings data include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include all equity and other capital transactions made directly between resident enterprises of a related group as defined in the FCS and nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in Australia are not required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, or (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings

In accordance with the international standards, the “Current Operating Performance Concept” (COPC) is fully used to calculate direct investment earnings. Specifically: (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses are excluded, (iii) interest receivable/payable is included, and (iv) debt repayments receivable/payable are excluded.

Treatment of Income on Equity (Dividends and Distributed Branch Profits)

The data on dividends and distributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded gross of any withholding taxes, (ii) dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are declared payable, (iii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iv) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, .

Treatment of Reinvested Earnings and Undistributed Branch Profits

The data on reinvested earnings and undistributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings and undistributed branch profits are recorded in the period in which they are earned, (ii) the data include reinvested earnings and undistributed branch profits between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings.

Treatment of Income on Debt (Interest)

The data on income on debt (interest) cover both incorporated enterprises and unincorporated enterprises and include interest on (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude interest on: (i) financial derivatives, and (ii) deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. In accordance with the international standards, (i) the data are recorded on an accrual basis, (ii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between

the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

Treatment of Equity Capital

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, (iv) other non-voting stocks (shares), and (v) noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity transactions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

Treatment of Other Capital

The other capital transactions data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include non-participating preference [preferred] shares, (ii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks, and (iv) the data include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as “long-term non-commercial financing arrangements such as subordinated loan capital, or other long-term non-equity capital extended to an enterprises by an affiliated financial intermediary.”)

In instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise, no transaction is recorded in the balance of payment statistics, as the assumption of the liability by the guarantor is shown in an “other change in volume” in the position data.

Treatment of Reverse Investment

Transactions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Australia and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity transactions are recorded as “Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises” and loan transactions are recorded as “Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises”.

Assuming that the direct investment enterprise is a resident of Australia and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity transactions are recorded as “Direct Investment in Australia: Equity Capital: Decrease in Liabilities to Direct Investors”, rather than as “Direct Investment in Australia: Equity Capital: Increase in Claims on Direct Investors”. In accordance with the international standards, loan transactions are recorded as “Direct Investment in Australia: Other Capital: Increase in Claims on Direct Investors” and are reported as such to the IMF.

Treatment of Quasi-corporations

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation abroad by residents of Australia of: (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

Treatment of Offshore Enterprises

In accordance with the international standards, activities of offshore enterprises established abroad by residents of Australia are included in the direct investment data.

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, (i) activities of SPEs established abroad by residents of Australia are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Australia that have the primary purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt.

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data include purchases and sales of land and buildings abroad by enterprises resident in Australia. Contrary to the international standards, the equity capital data do not include purchases and sales of land and buildings abroad by individuals resident in Australia, as these transactions cannot be identified from the present data sources. Land and buildings purchased abroad by enterprises and individuals resident in Australia on long-term leases are not included.

Treatment of Natural Resources Exploration

In accordance with the international standards, expenditure related to natural resources exploration abroad by residents of Australia is included in the equity capital data. Contrary to the international standards, expenditure on bonus payments made by residents of Australia to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, as this information is not available from the present data sources. In accordance with the international standards, in instances of the shutdown of a direct investment enterprise established abroad by residents of Australia for natural resource exploration, no transactions are shown in the balance of payments statistics.

Exchange Rate Conversion

Transactions were converted to the unit of account either at that the mid point between the buy and sell exchange rate applicable at the time of the transaction, or at the exchange rate prevailing on the day of the transaction.

DIRECT INVESTMENT ABROAD

INTERNATIONAL INVESTMENT POSITION ASSETS (“OUTWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data are compiled by the Australian Bureau of Statistics (ABS) within the international investment position (IIP) framework on (a) equity capital and reinvested earnings, and (b) other capital, and are disseminated with a timeliness of approximately 9 weeks after the end of the reference period in the ABS publication *Balance of Payments and International Investment Position, Australia* (ABS Cat. No. 5302.0). The data are also reported to the IMF and the OECD for publication.

Revision Practices

The data are preliminary when first released. The quarterly data for the current fiscal year (July 1 through June 30) and previous fiscal year are revised each quarter to take account of late responses and results of investigations into complex transactions and are disseminated quarterly together with the preliminary data for the latest quarter. The quarterly data for the prior 2 years (that is, N-3) are revised once a year at the end of the fiscal year, at which time they are considered to be final, that is, up to 45 months after their first release.

The revised status of the data is clearly identified in the disseminated data and the general public are informed, in broad terms, of the reasons for the revisions. The historical data can be revised further than 4 years in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF for publication.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

Data Collection Method

The data are collected on an aggregate basis and the reporting requirements are compulsory.

Data Sources

The data for all components are compiled from quarterly enterprise surveys of direct investors resident in Australia. The perpetual inventory method (a method for deriving position data from transactions data) is not used to compile the data.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

A business register of enterprises involved in direct investment is used to compile the outward direct investment position data. The register is maintained by the ABS and is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) the financial press, and (iii) compulsory direct investment surveys. The same business register is used to compile the outward direct investment transactions and position data and the inward direct investment transactions and position data.

Geographic Classification

Annual data showing breakdowns by country for the outward direct investment position data compiled by the ABS are disseminated once a year with a timeliness of 6 months after the end of the reference period in the electronic publication *International Investment Position, Australia: Supplementary Country Statistics* (ABS Cat. No. 5352.0) available on the ABS website. (Prior to 2002/03 quarterly data were compiled and used to compile annual fiscal year data. These data are no longer compiled and disseminated. However, the 2003 edition of *International Investment Position, Australia: Supplementary Country Statistics* published annual calendar year data back to 2001.) The data showing country breakdowns for the outward direct investment position data are also reported to the OECD. The data cover 35 countries and bilateral data are not used in the compilation of the data.

In accordance with the international standards, the data are compiled on an “immediate country” basis. The five countries with the largest amount of direct investment from Australia as at the end of fiscal year 2001/2002 (ranked in descending order) were: the United States, the United Kingdom, New Zealand, Hong Kong SAR, and Japan.

In addition to the data showing country breakdowns, annual data compiled by the ABS showing breakdowns of the outward direct investment position data for the following regions/economic zones are disseminated once a year with a timeliness of 6 months after the end of the reference period in *International Investment Position, Australia: Supplementary Country Statistics*: (i) the EU15, (ii) the OECD, (iii) the ASEAN countries, and (iv) the APEC countries. The data are also reported to the OECD.

There are no differences in the data coverage, sources, etc. between the outward position data showing geographic breakdowns disseminated in the national publications and reported to the OECD and the aggregate outward position data reported to the IMF for publication.

Industrial Classification

Annual data showing breakdowns by industrial activity for the outward direct investment position data are compiled by the ABS with a timeliness of 6 months after the end of the reference period. These data are not disseminated, but are available on request. The data showing breakdowns by industrial activity for the outward direct investment position data are also reported to the OECD. The data show a breakdown for 12 industrial activities, plus “other” and “unallocated”. The classification used is the Australian and New Zealand Standard Industry Classification (ANZSIC), which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

The outward position data are classified on the basis of the industrial activity of the resident direct investors. The five industrial activities with the largest amount of direct investment from Australia as at the end of the 2002/2003 fiscal year, that is, June 30, 2003 (in descending order) were: (i) manufacturing, (ii) finance and insurance services, (iii) mining, (iv) wholesale trade, and (v) property and business services.

Data showing breakdowns by (i) industrial activity and main partner country, and (ii) industrial activity and region/economic zone, are not compiled.

There are no differences in the data coverage, sources, etc. between the outward position data showing industrial activity breakdowns made available on request and reported to the OECD, and the aggregate outward position data reported to the IMF for publication.

B. Methodology

Definition of Direct Investors

In accordance with the international standards, the basic criterion for defining resident direct investors is 10 percent ownership by a resident investor of an enterprise abroad, regardless of whether the investor has an effective voice in management—that is, enterprises abroad in which the resident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises abroad in which the resident investor owns less than 10 percent but has an effective voice in management are not included. In accordance with the international standards, the 10 percent ownership is based on the ownership of each

individual resident investor or group of related resident investors, rather than being calculated by combining the holdings of all resident investors in a specific enterprise abroad or in a specific country abroad. No value threshold is used to identify resident direct investors, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, the data include (i) the relevant share of the reinvested earnings of indirectly-owned direct investment enterprises, and (ii) all equity capital and other capital positions held directly by resident enterprises of a related group as defined in the FCS with nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these direct investors or enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in Australia are not required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, or (ii) identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings

The equity capital position data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, (iv) other non-voting stocks (shares), and (v) noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity positions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings are recorded in the period in which they are earned, (ii) the data include reinvested earnings between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment Abroad.)

Treatment of Other Capital

The other capital position data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include non-participating preference [preferred] shares, (ii) the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks, and (iv) the data include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as “long-term non-commercial financing arrangements such as subordinated loan capital, or other long-term non-equity capital extended to an enterprises by an affiliated financial intermediary.”)

In instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise, the entire amount of the loan/debt guarantee outstanding is treated as an “other change in volume” and classified under direct investment lending by the guarantor and recorded under “Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises” at the time the guarantee is invoked.

Treatment of Reverse Investment

Positions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Australia and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity positions are recorded as "Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises" and loan positions are recorded as "Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of Australia and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity positions are recorded as "Liabilities: Direct Investment in Australia: Equity Capital: Liabilities to Direct Investors", rather than as "Liabilities: Direct Investment in Australia: Equity Capital: Claims on Direct Investors". In accordance with the international standards, loan positions are recorded as "Liabilities: Direct Investment in Australia: Other Capital: Claims on Direct Investors", and are reported as such to the IMF.

Treatment of Quasi-corporations

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation abroad by residents of Australia of: (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

Treatment of Offshore Enterprises

In accordance with the international standards, activities of offshore enterprises established abroad by residents of Australia are included in the direct investment data.

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, (i) activities of SPEs established abroad by residents of Australia are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Australia that have the primary purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt.

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data include ownership of land and buildings abroad by enterprises resident in Australia. Contrary to the international standards, the equity capital data do not include ownership of land and buildings abroad by individuals resident in Australia, as these positions cannot be identified from the present data sources. Land and buildings owned abroad by enterprises and individuals resident in Australia on long-term leases are not included.

Treatment of Natural Resources Exploration

In accordance with the international standards, expenditure related to natural resources exploration abroad by residents of Australia is included in the equity capital data. Contrary to the international standards, expenditure on bonus payments made by residents of Australia to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, as this information is not available from the present data sources. In accordance with the international standards, in instances of the shutdown of a direct investment enterprise established abroad by residents of Australia for natural resource exploration, an adjustment to reflect that shutdown is made to the assets data on direct investment equity capital in the international investment position statistics.

Valuation of Assets and Liabilities

The data on equity capital for listed enterprises are recorded at market values. The data on equity capital for unlisted enterprises are recorded at book values, which are directors' valuations, which are net asset values recorded at estimated market values, rather than historical values. (Net asset values are defined as being equal to total assets, including intangibles, less (i) non-equity liabilities, and (ii) the paid-up value of non-voting shares.

The data on other capital are recorded at market values or estimated market value using (in order of preference) one of the following methods (i) the yield to maturity, (ii) the discounted net present value, (iii) the face value less written down value of discount method, (iv) the issue price plus amortization of discount method, or (v) other "mark to market" methods. For loans and trade credits etc., when the book value has not been revalued to market values the data are valued using the nominal (face value) as the approximation of market value.

The book values used are those shown in the accounting records of the resident direct investors, rather than the nonresident direct investment enterprises.

Exchange Rate Conversion

All positions are converted to the unit of account at the exchange rate prevailing on the date to which the position data relate.