

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.

Brazil:

Direct Investment Compilation Practices, Data Sources and Methodology

Mr. Fernando Rocha
Head
Balance of Payments Division
Department of Economics
Banco Central do Brasil
Setor Bancário Sul Quadra 3 Bloco B Edifício Sede
70074-900 Brasília
Brazil

Telephone: (55-61) 414-2205
Fax: (55-61) 414-3922
E-mail: dibap.depec@bcb.gov.br

Direct Investment in Brazil

- **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 BRAZIL

BALANCE OF PAYMENTS (“INWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable monthly data are compiled by the Banco Central do Brasil (BCB) within the balance of payments framework on (a) two of the three components of direct investment income: (i) income on equity (dividends and distributed branch profits), and (ii) 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 4 weeks after the end of the reference period on the BCB website www.bcb.gov.br under Economic and Financial Information>Economic-Financial Reports>Press Releases>Foreign Sector>Table VII, or under Economic and Financial Information>Time Series>External Sector>by subject>Balance of Payments>Financial Account>Direct Investment>Foreign Direct Investment. The data are also reported regularly to the IMF for publication (quarterly rather than monthly) and to the OECD on an irregular basis.

Data on reinvested earnings are not compiled. (Prior to 1999 data on reinvested earnings were compiled.)

Revision Practices

The data are preliminary when first released. The monthly data for the previous quarter are revised each quarter to take account of revised source data and are disseminated quarterly together with the preliminary data for the latest month. In addition, the monthly data for the previous year are revised at the end of the current year and disseminated with the monthly data for the first month of the subsequent year. At this time the data are considered to be final, that is, up to 24 months after their first release, depending on the month.

The revised status of the data is not clearly identified in the disseminated data. The general public are not informed of the specific reasons for the revisions, but are informed of the data that are regularly revised and that are subject to significant revisions. The historical data are revised as far back as data are available in instances of major changes in methodology or data collection systems—for example, at the time of the adoption of the methodology in the fifth edition of the IMF's *Balance of Payments Manual*, the historical data were revised back to the beginning of the time series in 1947.

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 the OECD for publication.

Data Collection Method

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

Data Sources

The data for all components are compiled from an international transactions reporting system (ITRS), the Exchange Contract Settlement Registration System, which covers cash transactions made through the domestic banking system, but not cash transactions made through the foreign bank accounts of enterprises, or noncash transactions.

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

A business register of enterprises involved in direct investment is not used to compile the inward direct investment transactions data.

Geographic Classification

Monthly data showing breakdowns by country for the direct investment financial flows data are compiled by the BCB and are disseminated monthly with a timeliness of 4 weeks after the end of the reference period on the BCB website www.bcb.gov.br under Economic and Financial Information>Economic-Financial Reports>Press Releases>Foreign Sector>Tables X, XII, XIV, and XVI. The data showing country breakdowns for the direct investment financial flows (annual rather than monthly) are also reported to the OECD. The data cover 26 countries and bilateral data are not used in the compilation of the data. Data showing breakdowns by country are not compiled for the direct investment income data.

The transactor principle is primarily used as the basis for the geographic allocation of the data as the ITRS (the Exchange Contract Settlement Registration System) only has country data based on that principle. However, when it is possible to determine the country of holding, the debtor/creditor principle is used. The five countries with the largest amount of direct investment financial flows into Brazil during 2004 (ranked in descending order) were: the Netherlands, the United States, the Cayman Islands, Spain, and Germany.

Data showing breakdowns of the direct investment income and direct investment financial flows data by regions/economic zones are not compiled.

There are differences in the data coverage, but not the sources, 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 financial flows reported to the IMF for publication. The equity capital data showing geographic breakdowns do not include real estate transactions, and the other capital data showing geographic breakdowns cover only transactions of more than USD 1 million, whereas the aggregate data on direct investment financial flows reported to the IMF for publication include real estate transactions and do not use a value threshold.

Industrial Classification

Monthly data showing breakdowns by industrial activity for the direct investment financial flows data are compiled by the BCB and are disseminated monthly with a timeliness of 4 weeks after the end of the reference period on the BCB website www.bcb.gov.br under Economic and Financial Information>Economic-Financial Reports>Press Releases>Foreign Sector>Tables XI, XII, XV, and XVII. The data showing country breakdowns for the direct investment financial flows (annual rather than monthly) are also reported to the OECD. The data cover 30 industrial activities. The classification used 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 are not compiled for the direct investment income data.

The data on direct investment financial flows 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 financial flows into Brazil during 2004 (in descending order) were: (i) food and beverages, (ii) telecommunications, (iii) chemicals, (iv) trade, and (v) electricity, gas and water.

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

There are differences in the data coverage, but not the sources, between the inward transactions data showing industrial activity breakdowns disseminated in the national publications and reported to the OECD, and the aggregate inward data on direct investment financial flows reported to the IMF for publication. The equity capital data showing industrial activity breakdowns do not include real estate transactions, and the other capital data showing industrial activity breakdowns cover only transactions of more than USD 1 million, whereas the aggregate data on direct investment financial flows reported to the IMF for publication include real estate transactions and do not use a value threshold.

B. Methodology

Definition of Direct Investment Enterprises in Brazil

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Brazil 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. Contrary to the international standards, the 10 percent ownership is calculated by combining the holdings of all nonresident investors in a specific enterprise or from a specific country, rather than being based on the ownership of each individual nonresident investor or group of related nonresident investors. However, this deviation from the international standards is not considered to be statistically significant, since the majority of the individual nonresident investors own 10 percent or more of the resident enterprises. Also contrary to the international standards, investments made through the stock exchange or investment funds are generally excluded from the direct investment data, except those investments that are both significant and identifiable. Again, the BCB considers this deviation from the international standards to be statistically insignificant. 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 partially 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 capital and most, but not all, 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. (Data on reinvested earnings are not compiled.)

Enterprises in Brazil are required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, and (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings

Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not used to calculate direct investment earnings. Specifically, (i) deductions are not 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 not excluded, (iii) interest receivable/payable is not included, and (ii) debt repayments receivable/payable are not 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. Contrary to the international standards, (i) dividends and distributed branch profits of both incorporated and unincorporated enterprises are recorded on the date they are paid, rather than the date they are declared payable, and (ii) dividends and distributed branch profits are recorded net, rather than gross, of any withholding taxes. In accordance with the international standards, (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 (ii) 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

Not applicable. Data on reinvested earnings and undistributed branch profits are not compiled.

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, and (iii) bonds and money market instruments. The data do not cover interest on (i) trade credits, and (v) financial leases. In accordance with the international standards, the data do not include (i) interest on 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 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 (ii) 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. Contrary to the international standards, the data are on a paid basis, rather than an accrual basis.

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. Transactions made through the stock exchange or investment funds are generally not included in the direct investment data, unless they are both significant and identifiable. However, the exclusions are considered by the BCB to be statistically insignificant. 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. Contrary to the international standards, the data also include non-participating preference shares, which are classified as equity capital, rather than as other capital.

Treatment of Other Capital

The other capital transactions data cover: (i) long-term loans, (ii) short-term loans, and (iii) bonds and money market instruments. The data do not cover (i) trade credits, and (ii) 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 transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) 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. Contrary to the international standards, (i) the data do not include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, and (ii) the data do not include non-participating preference shares, which are instead classified as equity capital.

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 periodic payments of principal and interest made by the guarantor are treated as direct investment equity injections by the guarantor and recorded under "Direct Investment in Brazil: Equity Capital: Increase in Liabilities to Direct Investors" at the time the periodic payments are made.

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 Brazil 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 Brazil and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, in accordance with the international standards, equity transactions are recorded as “Direct Investment in Brazil: Equity Capital: Increase in Claims on Direct Investors”. However data showing “Direct Investment in Brazil: Equity Capital: Increase in Claims on Direct Investors” are not reported to the IMF for publication as the amounts involved are either zero or too small to report. Contrary to the international standards, loan transactions are recorded as “Other Investment: Increase in Assets: Loans”, rather than as “Direct Investment in Brazil: Other Capital: Increase in Claims on Direct Investors”.

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in Brazil 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 Brazil 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 Brazil by nonresidents are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established in Brazil 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. Contrary to the international standards, transactions involving permanent debt are also excluded.

Treatment of Land and Buildings

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

Treatment of Natural Resources Exploration

In accordance with the international standards, (i) expenditure related to natural resources exploration in Brazil by nonresidents is included in the equity capital data, (ii) expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is included in the equity capital data when there is a clear intention to establish a direct investment enterprise, and (iii) in instances of the shutdown of a direct investment enterprise established in Brazil by nonresidents for natural resource exploration, no transactions are shown in the balance of payments statistics.

Exchange Rate Conversion

All transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction.

DIRECT INVESTMENT IN BRAZIL

INTERNATIONAL INVESTMENT POSITION LIABILITIES (“INWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data are compiled by the Banco Central do Brasil (BCB) within the international investment position (IIP) framework on (a) equity capital and reinvested earnings (the equity capital element of this component only), and (b) other capital. These data are disseminated with a timeliness of 6 months after the end of the reference period on the BCB website www.bcb.gov.br under Economy and Finance>Press Releases>Foreign Sector>Table LVI-A. The data are also reported regularly to the IMF for publication, and to the OECD on an irregular basis. Quarterly data on the reinvested earnings element of the equity capital and reinvested earnings component are not compiled.

In addition, quinquennial inward position data are compiled by the BCB under the Census of Foreign Capital in Brazil. These data are compiled every 5 years and are disseminated on the BCB website under the Exchange and Foreign Capital section. The Census data do include reinvested earnings but these are not separately identifiable.

Revision Practices

The data compiled within the IIP framework are preliminary when first released. The data for the previous quarter are revised each quarter to take account of revised source data and are disseminated quarterly together with the preliminary data for the latest quarter. In addition, the quarterly data for the previous year are revised at the end of the current year and disseminated with the quarterly data for the latest month. At this time the data are considered to be final, that is, up to 21 months after their first release, depending on the quarter. The Census data are final when first released.

The revised status of the data is clearly identified in the disseminated data. The general public are informed of the reasons for major revisions only. There have been no instances of major changes in methodology or data collection systems necessitating revisions to the historical data since position data began to be compiled.

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

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 the OECD for publication or to other institutions.

Data Collection Method

The data are collected using a mixture of an individual transactions basis (an individual transactions reporting system [ITRS]) and an aggregate basis (enterprise surveys). The reporting requirements are compulsory.

Data Sources

The data for all components are compiled primarily from quinquennial enterprise surveys of resident enterprises (the Census of Foreign Capital in Brazil). An international transactions reporting system (ITRS), the Exchange Contract Settlement Registration System, which covers cash transactions made through the domestic banking system, but not cash transactions settled through the foreign bank accounts of enterprises, or noncash transactions, is used as a secondary data source for the equity capital data. Information from the foreign debt registry at the BCB is used as a secondary data source for the quarterly data on other capital. The perpetual inventory method (a method for deriving position data from transactions data) is used for the data obtained from

the ITRS. (The quarterly data are estimates derived by adding the transactions data to the quinquennial position data obtained from the Census of Foreign Capital in Brazil survey.) Adjustments are made for exchange rate changes, price changes, and other nontransaction changes for the data obtained from the quinquennial surveys. Adjustments are made for exchange rate changes, but not for price changes, or other nontransaction changes, for the data obtained from the ITRS.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF 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 BCB and is updated on an irregular basis using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, (iii) registers maintained by other departments within the BCB, (iv) a debt register, and (v) compulsory direct investment surveys. The same business register is used to compile the inward and outward direct investment position data, but a business register is not used to compile the inward and outward direct investment transactions data.

Geographic Classification

Quinquennial (5 yearly) data showing breakdowns by country for the inward direct investment position data are compiled by the BCB and are disseminated once every 5 years with a timeliness of 6 months after the end of the reference period on the BCB website www.bcb.gov.br under Exchange and Foreign Capital>Census of Foreign Capital in Brazil. The quinquennial data showing country breakdowns for the inward position data are also reported to the OECD on an irregular basis. The data cover 26 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. Data compiled on an "ultimate country" basis are also compiled and disseminated for the data collected through the quinquennial survey. The five countries with the largest amount of direct investment in Brazil on an immediate country basis as at the end of 2000 (ranked in descending order) were: the United States, Spain, the Netherlands, France, and the Cayman Islands.

Data showing breakdowns of the inward direct investment position data by the regions/economic zones of the direct investors are not compiled. Quinquennial data are compiled by the BCB showing breakdowns of the inward direct investment position data by regions within Brazil. These data are disseminated every five years with a timeliness of 6 months after the end of the reference period on the BCB website cited above.

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

Quinquennial (5 yearly) data showing breakdowns by industrial activity for the inward direct investment position data are compiled by the BCB and are disseminated once every 5 years with a timeliness of 6 months after the end of the reference period on the BCB website www.bcb.gov.br under Exchange and Foreign Capital>Census of Foreign Capital in Brazil. The quinquennial data showing country breakdowns for the inward position data are also reported to the OECD on an irregular basis. The data cover 30 industrial activities. The classification used 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 Brazil as at the end of 2000 (in descending order) were: (i) telecommunications, (ii) services rendered to enterprises, (iii) financial intermediation, (iv) electricity, gas and hot water, and (v) automotives.

Quinquennial data are compiled by the BCB for the inward position data showing a breakdown by both industrial activity and main partner country. These data are disseminated once every five years with a timeliness of 6 months after the end of the reference period on the BCB website www.bcb.gov.br under Exchange and Foreign Capital>Census of Foreign Capital in Brazil. The five highest ranking partner countries as at the end of 2000

(ranked in descending order) for which breakdowns by industrial activity are disseminated were: the United States, Spain, the Netherlands, France, and the Cayman Islands.

Data showing a breakdown by both 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 disseminated in the national publications 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 Brazil

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Brazil 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. Contrary to the international standards, the 10 percent ownership is calculated by combining the holdings of all nonresident investors in a specific enterprise or from a specific country, rather than being based on the ownership of each individual nonresident investor or group of related nonresident investors. However, this deviation from the international standards is not considered by the BCB to be statistically significant, since the majority of the individual nonresident investors own 10 percent or more of the resident enterprises. Also contrary to the international standards, investments made through the stock exchange or investment funds are generally excluded from the direct investment data, except those investments that are both significant and identifiable. Again, the BCB considers this deviation from the international standards to be statistically insignificant. 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 partially applied. Specifically, the data include all equity capital positions and most, but not all, 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. (Reinvested earnings are not included in the quarterly position data. The quinquennial Census of Foreign Capital in Brazil data do include reinvested earnings but these are not separately identifiable.)

Enterprises in Brazil are required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, and (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. Positions arising from transactions made through the stock exchange or investment funds are generally not included in the direct investment data, unless they are both significant and identifiable. However, the exclusions are considered by the BCB to be statistically insignificant. 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. Contrary to the international standards, the data include non-participating preference shares, which are classified as equity capital, rather than as other capital.

Reinvested earnings are not included in the quarterly position data. The quinquennial Census of Foreign Capital in Brazil data do include reinvested earnings but these are not separately identifiable.

Treatment of Other Capital

The other capital position data cover: (i) long-term loans, (ii) short-term loans, and (iii) bonds and money market instruments. The data do not cover (i) trade credits, and (ii) 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 positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) 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. Contrary to the international standards, (i) the data do not include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, and (ii) the data do not include non-participating preference shares, which are instead classified as equity capital.

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 periodic payments of principal and interest made by the guarantor are treated as direct investment equity injections by the guarantor and recorded under "Liabilities: Direct Investment in Brazil: Equity Capital: Liabilities to Direct Investors" at the time the periodic payments are made.

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 Brazil 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 Brazil and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, in accordance with the international standards, equity positions are recorded as "Liabilities: Direct Investment in Brazil: Equity Capital: Claims on Direct Investors". However data showing "Liabilities: Direct Investment in Brazil: Equity Capital: Claims on Direct Investors" are not reported to the IMF for publication because the amounts involved are either zero or too small to be reported. Contrary to the international standards, loan positions are recorded as "Assets: Other Investment: Loans", rather than as "Liabilities: Direct Investment in Brazil: Other Capital: Claims on Direct Investors".

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in Brazil 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 Brazil 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 Brazil by nonresidents are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established in Brazil 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. Contrary to the international standards, positions involving permanent debt are also excluded.

Treatment of Land and Buildings

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

Treatment of Natural Resources Exploration

In accordance with the international standards, (i) expenditure related to natural resources exploration in Brazil by nonresidents is included in the equity capital data, (ii) expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is included in the equity capital data when there is a clear intention to establish a direct investment enterprise, and (iii) in instances of the shutdown of a direct investment enterprise established in Brazil 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 both the listed enterprises and the unlisted enterprises are recorded at book values, which are the values shown in the accounting records of the individual enterprises.

The data on other capital are recorded at book values, which are the historical costs.

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 monthly data are compiled by the Banco Central do Brasil (BCB) within the balance of payments framework on (a) two of the three components of direct investment income: (i) income on equity (dividends and distributed branch profits), and (ii) 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 4 weeks after the end of the reference period on the BCB website www.bcb.gov.br under Economic and Financial Information>Economic-Financial Reports>Press Releases>Foreign Sector>Table VI (income) and VII (BDI), or under Economic and Financial Information>Time Series>External Sector>by subject>Balance of Payments>Financial Account>Direct Investment>Brazilian Direct Investment. The data (quarterly rather than monthly) are also reported to the IMF for publication.

Data on reinvested earnings are not compiled. (Prior to 1999 data on reinvested earnings were compiled.)

Revision Practices

The data are preliminary when first released. The monthly data for the previous quarter are revised each quarter to take account of revised source data and are disseminated quarterly together with the preliminary data for the latest month. In addition, the monthly data for the previous year are revised at the end of the current year and disseminated with the monthly data for the first month of the subsequent year. At this time the data are considered to be final, that is, up to 24 months after their first release, depending on the month.

The revised status of the data is not clearly identified in the disseminated data. The general public are not informed of the specific reasons for the revisions, but are informed of the data that are regularly revised and that are subject to significant revisions. The historical data are revised as far back as data are available in instances of major changes in methodology or data collection systems—for example, at the time of the adoption of the methodology in the fifth edition of the IMF's *Balance of Payments Manual*, the historical data were revised back to the beginning of the time series in 1947.

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 for publication or to other institutions.

Data Collection Method

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

Data Sources

The data for all components are compiled from an international transactions reporting system (ITRS), the exchange contract system, which covers cash transactions made through the domestic banking system, but not cash transactions made through the foreign bank accounts of enterprises, or noncash transactions.

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

A business register of enterprises involved in direct investment is not used to compile the outward direct investment transactions data.

Geographic Classification

Not applicable. Data showing geographic breakdowns by country for the direct investment income and the direct investment financial flows data are not compiled.

Industrial Classification

Not applicable. Data showing breakdowns by industrial activity are not compiled.

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. A value threshold is not used to identify resident direct investors in the outward transactions data. 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 partially 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 some, but not all, equity capital 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. (Data on reinvested earnings are not compiled.)

Enterprises in Brazil are required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, and (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings

Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not used to calculate direct investment earnings. Specifically, (i) deductions are not 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 not excluded, (iii) interest receivable/payable is not included, and (ii) debt repayments receivable/payable are not 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. Contrary to the international standards, (i) dividends and distributed branch profits of both incorporated and unincorporated enterprises are recorded on the date they are paid, rather than the date they are declared payable, and (ii) dividends and distributed branch profits are recorded net, rather than gross, of any withholding taxes. In accordance with the international standards, (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 (ii) 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

Not applicable. Data on reinvested earnings and undistributed branch profits are not compiled.

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, and (iii) bonds and money market instruments. The data do not cover interest on (i) trade credits, and (v) financial leases. In accordance with the international standards, the data do not include (i) interest on 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 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 (ii) 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. Contrary to the international standards, the data are on a paid basis, rather than an accrual basis.

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. Transactions made through the stock exchange or investment funds are generally not included in the direct investment data, unless they are both significant and identifiable. However, the exclusions are considered by the BCB to be statistically insignificant. 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. Contrary to the international standards, the data include non-participating preference shares, which are classified as equity capital, rather than as other capital.

Treatment of Other Capital

The other capital transactions data cover: (i) long-term loans, (ii) short-term loans, and (iii) bonds and money market instruments. The data do not cover (i) trade credits, and (ii) 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 transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) 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. Contrary to the international standards, (i) the data do not include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, and (ii) the data do not include non-participating preference shares, which are instead classified as equity capital..

In instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise, the periodic payments of principal and interest made by the guarantor are treated as direct investment equity injections by the guarantor and recorded under "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises" at the time the periodic payments are made.

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 Brazil 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 Brazil and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, in accordance with the international standards, equity transactions are recorded as "Direct Investment in Brazil: Equity Capital: Increase in Claims on Direct Investors". However data showing "Direct Investment in Brazil: Equity Capital: Increase in Claims on Direct Investors" are not reported to the IMF for publication because the amounts involved are either zero or too small to report. Contrary to the international standards, loan transactions are recorded as "Other Investment: Increase in Assets: Loans", rather than as "Direct Investment in Brazil: Other Capital: Increase in Claims on Direct Investors".

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by residents of Brazil 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 Brazil 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 Brazil are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Brazil 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. Contrary to the international standards, transactions involving permanent debt are also excluded.

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 and individuals resident in Brazil. Purchases of land and buildings on long-term leases are not included.

Treatment of Natural Resources Exploration

In accordance with the international standards, (i) expenditure related to natural resources exploration abroad by residents of Brazil is included in the equity capital data, (ii) expenditure on bonus payments made by residents of Brazil to the host country for the right to undertake exploration for natural resources is included in the equity capital data when there is a clear intention to establish a direct investment enterprise, and (iii) in instances of the shutdown of a direct investment enterprise established abroad by residents of Brazil for natural resource exploration, no transactions are shown in the balance of payments statistics.

Exchange Rate Conversion

All transactions are converted to the unit of account 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 Banco Central do Brasil (BCB) within the international investment position (IIP) framework on (a) equity capital and reinvested earnings (the equity capital element of this component only), and (b) other capital. These data are disseminated with a timeliness of 6 months after the end of the reference period on the BCB website www.bcb.gov.br under Economic and Financial Information>Economic-Financial Reports>Press Releases>Foreign Sector>Table LVI. The data are also reported to the IMF for publication and to the OECD. (Prior to the data for 2001, outward position data were not compiled.) The data are reported regularly to the IMF for publication, and to the OECD on an irregular basis. Quarterly data on the reinvested earnings element of the equity capital and reinvested earnings component are not compiled.

In addition, quinquennial outward position data are compiled by the BCB outside the international investment framework under the Census of Foreign Capital and are disseminated on the BCB website under [C mbio e Capitais Estrangeiros>Capitais Brasileiros no Exterior](#).

Revision Practices

The data compiled within the IIP framework are preliminary when first released. In principle, the data for the previous quarter are revised each quarter to take account of revised source data and are disseminated quarterly together with the preliminary data for the latest quarter. In addition, the quarterly data for the previous year are revised at the end of the current year and disseminated with the quarterly data for the latest month. At this time the data are considered to be final, that is, up to 21 months after their first release, depending on the quarter. The data compiled outside the IIP framework are final when first released. However, in practice the data have not been revised to date.

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 the OECD for publication or to other institutions.

Data Collection Method

The data are collected using a mixture of an individual transactions basis (an individual transactions reporting system [ITRS]) and an aggregate basis (enterprise surveys). The reporting requirements are compulsory.

Data Sources

The data for all components are compiled primarily from annual enterprise surveys of resident enterprises. An international transactions reporting system (ITRS), the Exchange Contract Settlement Registration System, which covers cash transactions made through the domestic banking system, but not cash transactions made through the foreign bank accounts of enterprises, or noncash transactions, is used as a secondary data source for the equity capital data. Information from the foreign debt registry at the BCB is used as a secondary data source for the data on other capital. The perpetual inventory method (a method for deriving position data from transactions data) is used for the data obtained from the ITRS. Adjustments are made for exchange rate changes, price changes, and other nontransaction changes for the data obtained from the quinquennial surveys. Adjustments are made for exchange rate changes, but not for price changes, or other nontransaction changes, for the data obtained from the ITRS.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF 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 BCB and is updated on an irregular basis using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, (iii) registers maintained by other departments within the BCB, (iv) a debt register, and (v) compulsory direct investment surveys. The same business register is used to compile the inward and outward direct investment position data, but a business register is not used to compile the inward and outward direct investment transactions data.

Geographic Classification

Annual data showing breakdowns by country for the outward direct investment position data are compiled once a year by the BCB with a timeliness of 6 months after the end of the reference period. These data are disseminated with a timeliness of 6 months after the end of the reference period on the BCB website www.bcb.gov.br under *C mbio e Capitais Estrangeiros>Capitais Brasileiros no Exterior>Resultados>Tab II*. (Available in Portuguese only.) The data showing country breakdowns for the outward position data are also reported to the OECD on an irregular basis. The data cover all 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 Brazil as at the end of 2003 (ranked in descending order) were: the Cayman Islands, the Bahamas, the British Virgin Islands, Uruguay, and the United States.

Data showing breakdowns of the outward direct investment position data by regions/economic zones are not compiled.

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 BCB and are disseminated once a year with a timeliness of 6 months after the end of the reference period on the BCB website www.bcb.gov.br under *C mbio e Capitais Estrangeiros>Capitais Brasileiros no Exterior>Resultados>Tab IV*. (Available in Portuguese only.) The data showing industrial activity breakdowns for the outward position data are also reported to the OECD on an irregular basis. The data cover 50 industrial activities. The classification used 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 Brazil as at the end of 2003 (in descending order) were: (i) services rendered mainly to enterprises, (ii) financial intermediation, (iii) ancillary financial intermediation activities, (iv) wholesale and intermediary trade, and (v) construction.

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

There are no differences in the data coverage, sources, etc. between the outward position data showing industrial activity breakdowns disseminated in the national publications 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. A value threshold of used to identify resident direct investors. (In 2001, the threshold was R\$200,000 [USD 86,000] and in 2002 the threshold was RS300,000 [USD85,000], and in 2003 the threshold was USD 100,000.) 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 not applied. Specifically, the data do not include 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. The data include only equity capital and other capital positions with directly owned enterprises. (Reinvested earnings are not included in the quarterly position data. The quinquennial Census of Foreign Capital data do include reinvested earnings but these are not separately identifiable.)

Enterprises in Brazil are required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, and (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. Positions arising from transactions made through the stock exchange or investment funds are generally not included in the direct investment data, unless they are both significant and identifiable. However, the exclusions are considered by the BCB to be statistically insignificant. 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. Contrary to the international standards, the data also include non-participating preference shares, which are classified as equity capital, rather than as other capital.

Reinvested earnings are not included in the quarterly position data. The quinquennial Census of Foreign Capital data do include reinvested earnings but these are not separately identifiable.

Treatment of Other Capital

The other capital position data cover: (i) long-term loans, (ii) short-term loans, (iii) trade credits, and (iv) financial leases. The data do not include bonds and money market instruments. 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 positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) 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. Contrary to the international standards, (i) the data do not include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, and (ii) the data do not include non-participating preference shares, which are instead classified as equity capital.

In instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise, the periodic payments of principal and interest made by the guarantor are treated as

direct investment equity injections by the guarantor and recorded under “Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises” at the time the periodic payments are made.

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 Brazil 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 Brazil and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, in accordance with the international standards, equity positions are recorded as “Liabilities: Direct Investment in Brazil: Equity Capital: Claims on Direct Investors”. However data showing “Liabilities: Direct Investment in Brazil: Equity Capital: Claims on Direct Investors” are not reported to the IMF for publication because the amounts involved are either zero or too small to report. Contrary to the international standards, loan positions are recorded as “Assets: Other Investment: Loans”, rather than as “Liabilities: Direct Investment in Brazil: Other Capital: Claims on Direct Investors”.

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by residents of Brazil 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 Brazil 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 Brazil are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Brazil 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. Contrary to the international standards, positions involving permanent debt are also excluded.

Treatment of Land and Buildings

Contrary to the international standards, the equity capital data do not include ownership of land and buildings abroad by enterprises and individuals resident in Brazil.

Treatment of Natural Resources Exploration

In accordance with the international standards, (i) expenditure related to natural resources exploration abroad by residents of Brazil is included in the equity capital data, (ii) expenditure on bonus payments made by residents of Brazil to the host country for the right to undertake exploration for natural resources is included in the equity capital data when there is a clear intention to establish a direct investment enterprise, and (iii) in instances of the shutdown of a direct investment enterprise established abroad by residents of Brazil 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 the listed enterprises are recorded at market values, although in some instances they are recorded at book values, which are the values shown in the accounting records of the individual enterprises. The data on equity capital for the unlisted enterprises are recorded at market values. In the case of the quarterly data (that is, data for the first, second and third quarters) the values are recent transaction prices, since they are estimates based on ITRS data that have been added to the latest annual position data. In the case of the annual data, which are collected from the Census of Brazilian Capital Abroad (that is, the data used for the geographic and industrial activity breakdowns), the data are valued at net asset values and eventually at recent transaction prices.

The data on other capital are recorded at book values, which are the historical costs.

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.