

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.

## **Spain:**

### **Direct Investment Compilation Practices, Data Sources and Methodology**

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#### **Direct Investment in Spain**

- **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 SPAIN

### BALANCE OF PAYMENTS (“INWARD TRANSACTIONS”) DATA

#### A. Compilation Practices and Data Sources

##### Data Availability

Separately identifiable quarterly data are compiled by the Banco de España (BDE) within the balance of payments framework on two of the three components of direct investment income: (i) income on equity (dividends and distributed branch profits), and (ii) income on debt (interest). Separately identifiable monthly data are compiled by the Banco de España (BDE) within the balance of payments framework on the components of direct investment financial flows: (i) equity capital, and (ii) other capital. The monthly data are disseminated with a timeliness of 8 weeks after the end of the reference period on the following BDE website <http://www.bde.es/bpagos/bpagos.htm> and in the *Boletín Estadístico*. Separately identifiable quarterly data for the two components of direct investment income are not disseminated and instead are disseminated with a timeliness of 12 weeks under total investment income in the monthly *Boletín Estadístico* and under total direct investment income in the annual edition of *Spanish Balance of Payments*, which is also available on the following BDE website <http://www.bde.es/bpagos/bpagos.htm>.

Data on reinvested earnings are not compiled at present. However, there are plans to begin to do so in the near future.

The data (quarterly rather than monthly) for total direct investment income, income on equity, income on debt (interest), equity capital, and other capital are reported to the IMF for publication. (The data on income on equity cover only dividends and distributed branch profits as data on reinvested earnings are not compiled.) The data (quarterly and annual) are also reported to OECD and Eurostat.

More comprehensive quarterly data on equity capital are compiled by the BDE and disseminated once a year with a timeliness of 26 weeks after the end of the reference year in the annual edition of *Spanish Balance of Payments*

##### Revision Practices

The data are preliminary when first released. The monthly and quarterly data are revised twice to take account of revised source data and late responses—once 4 months after the end of the reference year, and again one year later. At this time the data are considered to be final, that is up to 25 months after their first release in the case of the monthly data, and up to 21 months after their first release in the case of the quarterly data.

The revised status of the data is clearly identified in the disseminated data. However, the general public are not informed of the reasons for the revisions, except in instances of extraordinary revisions resulting from changes in methodology or data collection systems, in which case explanations are given in the *Boletín Estadístico* and the *Spanish Balance of Payments*. (The title of the latter publication has been changed to *Spanish Balance of Payments and International Investment Position* with effect from the dissemination of the annual data for 2003 in June 2004.) The historical data are revised in instances of major changes in methodology or data collection systems. The affect period varies depending on the significance of the change or the availability of information for the previous years, but data prior to 1993 would rarely be revised.

There are no differences in the revision practices between the data disseminated in the national publications and reported to the OECD and Eurostat, 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 no differences in the sectoral coverage between the data disseminated in the national publications and reported to the OECD and Eurostat those reported to the IMF 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 of the most timely data are compiled from an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, cash transactions made through the foreign bank accounts of enterprises, and noncash transactions. A debt register is also used as a secondary data source for the data on other capital. The more comprehensive data on equity capital also include estimates of negotiable securities derived from data provided by the investment approval authorities (the Ministry of Economy) based on investments actually made. (From 2004 onward, the data on negotiable securities will be provided by the Ministry of Commerce, Industry and Tourism.)

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**

Annual data showing breakdowns by country for the direct investment income data and the direct investment financial flows data are compiled by the BDE. These data are not disseminated. Although the data have been made available on request in the past, the data are not available on request at present. Nevertheless, the BDE is studying the possibility of disseminating annual data showing breakdowns by country in the near future. The data showing country breakdowns for both the direct investment financial flows and direct investment income are also reported to the OECD and Eurostat. The data cover 63 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 Spain during 2002 (ranked in descending order) were: Belgium/Luxembourg, Brazil, Germany, the United States, and Switzerland. The five countries with the largest amount of direct investment financial flows into Spain during 2002 (ranked in descending order) were: Belgium/Luxembourg, the United Kingdom, Germany, France, and the United States.

In addition to the data showing country breakdowns, annual data are compiled by the BDE showing breakdowns of both the direct investment income and direct investment financial flows for the following regions/economic zones: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, (vii) the OPEC countries, (viii) EMU, (ix) Latin America, (x) Central and eastern Europe, (xi) African, Caribbean, and Pacific countries that are signatories to the Partnership Agreement (Cotonou Agreement (ACP)), and (xii) Newly Industrialized Countries (NICs). These data are disseminated once a year with a timeliness of 6 months after the end of the reference period in the annual edition of *Spanish Balance of Payments*, which is also available on the following BDE website <http://www.bde.es/bpagos/bpagos.htm>. The data are also reported to the OECD and Eurostat with a timeliness of 9 months after the end of the reference period.

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 Eurostat, and the aggregate inward data on direct investment income and direct investment financial flows reported to the IMF for publication. However, data disseminated in the national publications showing breakdowns by both institutional sector and geography/region/economic zone do not include data on the monetary financial institutions (MFIs) sector.

### **Industrial Classification**

Annual data showing breakdowns by industrial activity for direct investment financial flows are compiled by the BDE. These data are not disseminated. Although the data have been made available on request in the past, the data are not available on request at present. Nevertheless, the BDE is studying the possibility of disseminating annual data showing breakdowns by country in the near future. In the past, the data showing breakdowns by industrial activity for the direct investment financial flows were also reported to the OECD and

Eurostat with a timeliness of 6 months after the end of the reference period, but at present the reporting to these organizations has ceased. The data compiled show a breakdown for 43 industrial activities. The classification used is NACE Rev. 1.1, 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 data are not compiled

The 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 financial flows into Spain during 2002 (in descending order) were: (i) real estate and business activity, (ii) manufacturing, (iii) electricity, gas, and water, (iv) trade and repairs, and (v) mining and quarrying.

Annual data are compiled by the BDE for the direct investment financial flows data showing a breakdown by both industrial activity and region/economic zone with a timeliness of 9 months after the end of the reference period. However, these data are not disseminated and are not available on request. They are also not reported to the OECD or Eurostat.

Data showing a breakdown by both industrial activity and main partner country 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 Eurostat in the past, and the aggregate inward data on direct investment financial flows reported to the IMF for publication.

## **B. Methodology**

### **Definition of Direct Investment Enterprises in Spain**

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Spain 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 partially applied. Specifically, the direct investment financial flows data do not 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, as the data exclude transactions involving (i) the purchase of listed shares that represent less than 10 percent of the total shares of a related enterprises, and (ii) the acquisition of debt securities. Furthermore, although in principle the direct investment earnings data include the relevant share of indirectly-owned direct investment enterprises, in practice the reporting entities do not do so in all instances.

Enterprises in Spain 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 fully used to calculate direct investment earnings. In accordance with the COPC, (i) unrealized capital gains and losses and realized and unrealized exchange rate gains and losses are not included. Contrary to the COPC, (i) deductions are not made for depreciation of capital, and for provisions for host-country income and corporation

taxes, (ii) realized capital gains and losses and write-offs are included, (iii) interest receivable/payable is not included, and (iv) 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 for 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, (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) affiliated financial auxiliaries (such as security dealers) are not treated differently from other affiliated financial intermediaries and affiliated banks.

#### **Treatment of Reinvested Earnings and Undistributed Branch Profits**

Not applicable. Transactions 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, (iii) trade credits, and (iv) financial leases. The data do not include interest on bonds and money market instruments. 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, 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. Contrary to the international standards, (i) the data are compiled on a paid basis, rather than an accrual basis, and (ii) affiliated financial auxiliaries (such as security dealers) are treated differently from other affiliated financial intermediaries and affiliated banks, in that all transactions between affiliated financial auxiliaries and between affiliated financial auxiliaries and affiliated financial intermediaries are included in the data.

#### **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) affiliated financial auxiliaries (such as security dealers) are not treated differently from 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) trade credits, and (iv) financial leases. The data do not cover 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) 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, 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. Contrary to the international standards, (i) the data do not include non-participating preference shares, which are instead classified under Portfolio Investment in the balance of payments statistics, (ii) affiliated financial auxiliaries (such as security dealers) are treated differently from other affiliated financial intermediaries and affiliated banks, in that all transactions between affiliated financial auxiliaries and between affiliated financial auxiliaries and affiliated financial intermediaries are included in the data, and (iii) most transactions associated with permanent debt between affiliated banks and between affiliated financial

intermediaries are excluded from the data, because of the difficulty in identifying such transactions from the present data sources. However, these transactions are included when, in exceptional cases, they can be identified. (Permanent debt is defined as being capital representing a permanent interest, usually subordinated loans or deposits.)

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 lending by the guarantor and recorded under "Direct Investment in Spain: Other 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 Spain 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 treated 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 Spain 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 "Portfolio Investment: Increase in Assets: Equity Securities", rather than as "Direct Investment in Spain: Equity Capital: Increase in Claims on Direct Investors". In accordance with the international standards, loan transactions are recorded as "Direct Investment in Spain: 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 Spain by nonresidents of (i) construction enterprises, and (ii) drilling rigs. Quasi-corporations arising from the operation in Spain by nonresidents of ships, aircraft, and other mobile equipment are not applicable as such activities have not occurred to date.

#### **Treatment of Offshore Enterprises**

Not applicable. There are no offshore enterprises established in Spain by nonresidents at present.

#### **Treatment of Special Purpose Entities (SPEs)**

In accordance with the international standards, (i) activities of SPEs established in Spain by nonresidents are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established in Spain 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, most 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 Spain by nonresident enterprises and nonresident individuals. Land and buildings purchased in Spain by nonresident enterprises and nonresident individuals on long-term leases are included. (Long-term leases are defined as leases of one year or more.)

### **Treatment of Natural Resources Exploration**

In accordance with the international standards, (i) expenditure related to natural resources exploration in Spain 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 Spain by nonresidents for natural resource exploration, no transactions are shown in the balance of payments statistics. However, it is possible that not all instances of bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources are able to be identified from the present data sources.

### **Exchange Rate Conversion**

All transactions are converted to the unit of account at the average exchange rate for the period.

## DIRECT INVESTMENT IN SPAIN

### INTERNATIONAL INVESTMENT POSITION LIABILITIES (“INWARD POSITION DATA”)

#### A. Compilation Practices and Data Sources

##### Data Availability

Separately identifiable quarterly data are compiled by the Banco de España (BDE) 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 3 months after the end of the reference period on the following BDE website <http://www.bde.es/bpagos/bpagos.htm>. The data are also reported to the IMF and OECD for publication.

##### Revision Practices

The data are preliminary when first released. The data are revised continuously for the next 2 years, to take account of revised source data, and are disseminated quarterly together with the preliminary data for the latest quarter. 24 months after their first release the data are no longer subject to significant revision and are generally considered to be final.

The revised status of the data is clearly identified in the disseminated data. However, the general public are not informed of the reasons for the revisions, except in instances of extraordinary revisions resulting from changes in methodology or data collection systems, in which case explanations are given in the *Boletín Estadístico* and the *Spanish Balance of Payments*. (The title of the latter publication has been changed to *Spanish Balance of Payments and International Investment Position* with effect from the dissemination of the annual data for 2003 in June 2004.) The historical data are revised in instances of major changes in methodology or data collection systems. The affect period varies depending on the significance of the change or the availability of information for the previous years, but data prior to 1992 would rarely be revised.

There are no differences in the revision practices between the data disseminated in the national publications and reported to the OECD and Eurostat, 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 for equity capital and other capital. The data for reinvested earnings cover the banking sector only.

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

##### Data Collection Method

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

##### Data Sources

The data on equity capital are compiled primarily from an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, cash transactions made through the foreign bank accounts of enterprises, and noncash transactions. Published sources, such as company accounts of resident direct investment enterprises, are used as a secondary data source for the equity capital data. The data on reinvested earnings are compiled from published sources, such as the company accounts of resident direct investment enterprises. The data on other capital are compiled from a debt register. The perpetual inventory method (a method for deriving position data from transactions data) is used to compile the data on equity capital. Adjustments are made for exchange rate changes, but no adjustments are made for price changes or other nontransaction changes.

A study is being developed to assess the options for possibly replacing the equity capital data that are presently derived using the perpetual inventory method with position-based data at some stage in the future.



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 position data.

### **Geographic Classification**

Data showing country breakdowns for the inward position data are not compiled. However, there are plans to begin to compile and disseminate these in the near future.

Annual data are compiled by the BDE showing the inward direct investment position data for the EU15 economic zone as a whole with a timeliness of 9 months after the end of the reference period. These data are not disseminated in the national publications and are not available on request. The data are reported to the OECD and Eurostat for information only and not for publication. Nevertheless, the BDE is studying the possibility of disseminating these data in the near future.

In accordance with the international standards, the data are compiled on an “immediate country” basis.

There are no differences in the data coverage, sources, etc. between the inward position data showing geographic breakdowns compiled by the BDE and reported to the OECD and Eurostat for information, and the aggregate inward position data reported to the IMF for publication.

### **Industrial Classification**

Not applicable. Data showing breakdowns by industrial activity for the inward direct investment position data are not compiled.

## **B. Methodology**

### **Definition of Direct Investment Enterprises in Spain**

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Spain 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 not applied. Specifically, the data do not 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 Spain 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. 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) affiliated financial auxiliaries (such as security dealers) are not treated differently from other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, the data include non-participating preference shares for the monetary financial institutions (MFI) sector.

The data for reinvested earnings cover the banking sector only. The data cover both incorporated and unincorporated enterprises. In accordance with the international standards, (i) when a direct investment enterprises makes a net loss, that net loss is recorded as negative reinvested earnings, (ii) the reinvested earnings are recorded in the period in which they are earned, and (iii) the data include reinvested earnings between nonresident nonfinancial direct investment enterprises and resident affiliated banks. Contrary to the international standards, the data do not include reinvested earnings between resident nonfinancial direct investment enterprises and nonresident affiliated banks. The treatment of affiliated financial auxiliaries (such as security dealers) is not applicable, as the data cover only the banking sector. (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 Spain.)

### **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 cover 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, 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 non-participating preference shares which are classified under equity capital in the case of the monetary financial institutions sector, or under Portfolio Investment in the balance of payments statistics in the case of all other sectors, (ii) affiliated financial auxiliaries (such as security dealers) are treated differently from other affiliated financial intermediaries and affiliated banks, in that all positions between affiliated financial auxiliaries and between affiliated financial auxiliaries and affiliated financial intermediaries are included in the data, and with rare exceptions, the data do not include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, which are instead classified in the balance of payments statistics either under Portfolio Investment in the case of negotiable debt instruments, or under Other Investment in the case of nonnegotiable debt instruments. (In those exceptional instances when these positions can be identified, they are included in the data as recommended by the international standards. (Permanent debt is defined as being capital representing a permanent interest, usually subordinated loans or deposits.)

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 lending by the guarantor and recorded under "Liabilities: Direct Investment in Spain: Other 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 Spain 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 treated 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 Spain 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 "Assets: Portfolio Investment: Equity Securities", rather than as "Liabilities: Direct Investment in Spain: Equity Capital: Claims on Direct Investors". In accordance with the international standards, loan positions are recorded as "Liabilities: Direct Investment in Spain: 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 in Spain by nonresidents of (i) construction enterprises, and (ii) drilling rigs. Quasi-corporations arising from the operation in Spain by nonresidents of ships, aircraft, and other mobile equipment are not applicable as such activities have not occurred to date.

#### **Treatment of Offshore Enterprises**

Not applicable. There are no offshore enterprises established in Spain by nonresidents at present.

#### **Treatment of Special Purpose Entities (SPEs)**

In accordance with the international standards, (i) activities of SPEs established in Spain by nonresidents are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established in Spain 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, most 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 Spain by nonresident enterprises and nonresident individuals. Land and buildings owned in Spain by nonresident enterprises and nonresident individuals on long-term leases are included. (Long-term leases are defined as leases of one year or more.)

#### **Treatment of Natural Resources Exploration**

In accordance with the international standards, (i) expenditure related to natural resources exploration in Spain by nonresidents is included in the equity capital data, and (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. However, it is possible that not all instances of bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources are able to be identified from the present data sources. Contrary to the international standards, in instances of the shutdown of a direct investment enterprise established in Spain by nonresidents for natural resource exploration, an adjustment to reflect that shutdown is not made to the liabilities data on direct investment equity capital in the international investment position statistics, as such instances cannot be identified from the present data sources.

#### **Valuation of Assets and Liabilities**

Most data on equity capital for listed enterprises are recorded primarily at book values, which are the historical costs, although some are recorded at market values. The data on equity capital for unlisted enterprises for the monetary financial institutions (MFI) sector, are recorded at book values, which are defined as being capital, plus reserves, minus own shares, minus unsettled shares, times the percentage participation. The data on equity capital for unlisted enterprises for all other sectors are recorded at book values, which are the historical costs.

The data on other capital are recorded at nominal values.

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 Banco de España (BDE) within the balance of payments framework on two of the three components of direct investment income: (i) income on equity (dividends and distributed branch profits), and (ii) income on debt (interest). Separately identifiable monthly data are compiled by the Banco de España (BDE) within the balance of payments framework on the components of direct investment financial flows: (i) equity capital, and (ii) other capital. The monthly data are disseminated with a timeliness of 8 weeks after the end of the reference period on the following BDE website <http://www.bde.es/bpagos/bpagos.htm> and in the *Boletín Estadístico*. Separately identifiable quarterly data for the two components of direct investment income are not disseminated and instead are disseminated with a timeliness of 12 weeks under total investment income in the monthly *Boletín Estadístico* and under total direct investment income in the annual edition of *Spanish Balance of Payments*, which is also available on the following BDE website <http://www.bde.es/bpagos/bpagos.htm>.

Data on reinvested earnings are not compiled at present.

The data (quarterly rather than monthly) for total direct investment income, income on equity, income on debt (interest), equity capital, and other capital are reported to the IMF for publication. (The data on income on equity include only dividends and distributed branch profits, as data on reinvested earnings are not compiled.) The data (quarterly and annual) are also reported to OECD and Eurostat.

##### Revision Practices

The data are preliminary when first released. The monthly and quarterly data are revised twice to take account of revised source data and late responses—once 4 months after the end of the reference year, and again one year later. At this time the data are considered to be final, that is up to 25 months after their first release in the case of the monthly data, and up to 21 months after their first release in the case of the quarterly data.

The revised status of the data is clearly identified in the disseminated data. However, the general public are not informed of the reasons for the revisions, except in instances of extraordinary revisions resulting from changes in methodology or data collection systems, in which case explanations are given in the *Boletín Estadístico* and the *Spanish Balance of Payments*. (The title of the latter publication has been changed to *Spanish Balance of Payments and International Investment Position* with effect from the dissemination of the annual data for 2003 in June 2004.) The historical data are revised in instances of major changes in methodology or data collection systems. The affect period varies depending on the significance of the change or the availability of information for the previous years, but data prior to 1993 would rarely be revised.

There are no differences in the revision practices between the data disseminated in the national publications and reported to the OECD and Eurostat, 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 reported to the OECD and Eurostat, and those reported to the IMF 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), which covers cash transactions made through the domestic banking system, cash transactions made through the foreign bank accounts of enterprises, and noncash transactions. A debt register is also used as a secondary data source for the data on other capital.

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**

Annual data showing breakdowns by country for the direct investment income data and the direct investment financial flows data are compiled by the BDE. These data are not disseminated. Although the data have been made available on request in the past, the data are not available on request at present. Nevertheless, the BDE is studying the possibility of disseminating annual data showing breakdowns by country in the near future. The data showing country breakdowns for both the direct investment financial flows and direct investment income are also reported to the OECD and Eurostat. The data cover 63 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 Spain during 2002 (ranked in descending order) were: the Netherlands, the United States, France, Belgium/Luxembourg, and the United Kingdom. The five countries with the largest amount of direct investment financial flows from Spain during 2002 (ranked in descending order) were: Mexico, Argentina, Germany, the Netherlands, and Luxembourg.

In addition to the data showing country breakdowns, annual data are compiled by the BDE showing breakdowns of both the direct investment income and direct investment financial flows for the following regions/economic zones: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, (vii) the OPEC countries, (viii) EMU, (ix) Latin America, (x) Central and eastern Europe, (xi) African, Caribbean, and Pacific countries that are signatories to the Partnership Agreement (Cotonou Agreement (ACP)), and (xii) Newly Industrialized Countries (NICs). These data are disseminated once a year with a timeliness of 6 months after the end of the reference period in the annual edition of *Spanish Balance of Payments*, which is also available on the following BDE website <http://www.bde.es/bpagos/bpagos.htm>. The data are also reported to the OECD and Eurostat with a timeliness of 9 months after the end of the reference period.

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 Eurostat, and the aggregate outward data on direct investment income and direct investment financial flows reported to the IMF for publication. However, data disseminated in the national publications showing breakdowns by both institutional sector and geography/region/economic zone do not include data on the monetary financial institutions (MFIs) sector.

### **Industrial Classification**

Annual data showing breakdowns by industrial activity for direct investment financial flows are compiled by the BDE. These data are not disseminated. Although the data have been made available on request in the past, the data are not available on request at present. Nevertheless, the BDE is studying the possibility of disseminating annual data showing breakdowns by country in the near future. In the past, the data showing breakdowns by industrial activity for the direct investment financial flows were also reported to the OECD and Eurostat with a timeliness of 6 months after the end of the reference period, but at present the reporting to these organizations has ceased. The data compiled show a breakdown for 43 industrial activities. The classification used is NACE Rev. 1.1, 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 data are not compiled

The 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 financial flows from Spain during 2002 (in descending order) were: (i) real estate and business activity, (ii) manufacturing, (iii) transport and communications, (iv) mining and quarrying, and (v) financial intermediation.

Annual data are compiled by the BDE for the direct investment financial flows data showing a breakdown by both industrial activity and region/economic zone with a timeliness of 9 months after the end of the reference period. However, these data are not disseminated and are not available on request. They are also not reported to the OECD or Eurostat.

Data showing a breakdown by both industrial activity and main partner country 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 Eurostat in the past, 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 partially applied. Specifically, the direct investment financial flows data do not 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, as the data exclude transactions involving (i) the purchase of listed shares that represent less than 10 percent of the total shares of a related enterprises, and (ii) the acquisition of debt securities. Furthermore, although in principle the direct investment earnings data include the relevant share of indirectly-owned direct investment enterprises, in practice the reporting entities do not do so in all instances.

Enterprises in Spain 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 fully used to calculate direct investment earnings. In accordance with the COPC, (i) unrealized capital gains and losses and realized and unrealized exchange rate gains and losses are not included. Contrary to the COPC, (i) deductions are not made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) realized capital gains and losses and write-offs are included, (iii) interest receivable/payable is not included, and (iv) 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 for 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, (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) affiliated financial auxiliaries (such as security dealers) are not treated differently from other affiliated financial intermediaries and affiliated banks.

#### **Treatment of Reinvested Earnings and Undistributed Branch Profits**

Not applicable. Transactions 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, (iii) trade credits, and (iv) financial leases. The data do not include interest on bonds and money market instruments. 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, 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. Contrary to the international standards, (i) the data are compiled on a paid basis, rather than an accrual basis, and (ii) affiliated financial auxiliaries (such as security dealers) are treated differently from other affiliated financial intermediaries and affiliated banks, in that all transactions between affiliated financial auxiliaries and between affiliated financial auxiliaries and affiliated financial intermediaries are included in the data.

#### **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) affiliated financial auxiliaries (such as security dealers) are not treated differently from 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) trade credits, and (iv) financial leases. The data do not cover 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) 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, 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. Contrary to the international standards, (i) the data do not include non-participating preference shares, which are instead classified under Portfolio Investment in the balance of payments statistics, (ii) affiliated financial auxiliaries (such as security dealers) are treated differently from other affiliated financial intermediaries and affiliated banks, in that all transactions between affiliated financial auxiliaries and between affiliated financial auxiliaries and affiliated financial intermediaries are included in the data, and (iii) most transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries are excluded from the data, because of the difficulty in identifying such transactions from the present data sources. However, these transactions are included when, in exceptional cases, they can be identified. (Permanent debt is defined as being capital representing a permanent interest, usually subordinated loans or deposits.)



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 lending by the guarantor and recorded under "Direct Investment Abroad: Other 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 Spain 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 treated 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 Spain 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 "Portfolio Investment: Increase in Assets: Equity Securities", rather than as "Direct Investment in Spain: Equity Capital: Increase in Claims on Direct Investors". In accordance with the international standards, loan transactions are recorded as "Direct Investment in Spain: 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 Spain of (i) construction enterprises, and (ii) drilling rigs. Quasi-corporations arising from the operation abroad by residents of Spain of ships, aircraft, and other mobile equipment are not applicable as such activities have not occurred to date.

#### **Treatment of Offshore Enterprises**

In accordance with the international standards, activities of offshore enterprises established abroad by residents of Spain 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 Spain are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Spain 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, (i) most transactions with affiliated banks and affiliated financial intermediaries involving permanent debt are also excluded, and (ii) in the case of SPEs established abroad by residents of Spain that have the sole purpose of financial intermediation, loans made to resident direct investors with funds raised abroad are also excluded from the data.

#### **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 Spain. Land and buildings purchased abroad by enterprises and individuals resident in Spain on long-term leases are included. (Long-term leases are defined as being leases of one year or more.)

### **Treatment of Natural Resources Exploration**

In accordance with the international standards, (i) expenditure related to natural resources exploration abroad by residents of Spain is included in the equity capital data, (ii) expenditure on bonus payments made by residents of Spain 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 Spain for natural resource exploration, no transactions are shown in the balance of payments statistics. However, it is possible that not all instances of bonus payments made by residents of Spain to the host country for the right to undertake exploration for natural resources are able to be identified from the present data sources.

### **Exchange Rate Conversion**

All transactions are converted to the unit of account at the average exchange rate for the period.

## 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 de España (BDE) 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 3 months after the end of the reference period on the following BDE website <http://www.bde.es/bpagos/bpagos.htm>. The data are also reported to the IMF and OECD for publication.

##### Revision Practices

The data are preliminary when first released. The data are revised continuously for the next 2 years, to take account of revised source data, and are disseminated quarterly together with the preliminary data for the latest quarter. 24 months after their first release the data are no longer subject to significant revision and are generally considered to be final.

The revised status of the data is clearly identified in the disseminated data. However, the general public are not informed of the reasons for the revisions, except in instances of extraordinary revisions resulting from changes in methodology or data collection systems, in which case explanations are given in the *Boletín Estadístico* and the *Spanish Balance of Payments*. (The title of the latter publication has been changed to *Spanish Balance of Payments and International Investment Position* with effect from the dissemination of the annual data for 2003 in June 2004.) The historical data are revised in instances of major changes in methodology or data collection systems. The affect period varies depending on the significance of the change or the availability of information for the previous years, but data prior to 1992 would rarely be revised.

There are no differences in the revision practices between the data disseminated in the national publications and reported to the OECD and Eurostat, 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 for equity capital and other capital. The data for reinvested earnings cover the banking sector only.

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

##### Data Collection Method

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

##### Data Sources

The data on equity capital are compiled primarily from an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, cash transactions made through the foreign bank accounts of enterprises, and noncash transactions. Published sources, such as company accounts, are used as a secondary data source for the equity capital data. The data on reinvested earnings are compiled from published sources, such as the company accounts of the resident direct investment enterprises. The data on other capital are compiled from a debt register. The perpetual inventory method (a method for deriving position data from transactions data) is used to compile the data on equity capital. Adjustments are made for exchange rate changes, but no adjustments are made for price changes or other nontransaction changes.

A study is being developed to assess the options for possibly replacing the equity capital data that are presently derived using the perpetual inventory method with position-based data at some stage in the future.

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 position data.

### **Geographic Classification**

Data showing country breakdowns for the outward position data are not compiled. However, there are plans to begin to do so in the future,

Annual data are compiled by the BDE showing the outward direct investment position data for the EU15 economic zone as a whole with a timeliness of 9 months after the end of the reference period. These data are not disseminated in the national publications and are not available on request. The data are reported to the OECD and Eurostat for information only and not for publication. Nevertheless, the BDE is studying the possibility of disseminating these data in the near future. The possibility of compiling a more detailed breakdown by region/economic zones in the future is also being examined.

In accordance with the international standards, the data are compiled on an “immediate country” basis.

There are no differences in the data coverage, sources, etc. between the outward position data showing geographic breakdowns compiled by the BDE and reported to the OECD and Eurostat for information, and the aggregate outward position data reported to the IMF for publication.

### **Industrial Classification**

Not applicable. Data showing breakdowns by industrial activity for the outward direct investment position data 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. 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 not applied. Specifically, the data do not 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 Spain 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. 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) affiliated financial auxiliaries (such as security dealers) are treated differently from other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, the data include non-participating preference shares for the monetary financial institutions sector.

The data for reinvested earnings cover the banking sector only. The data cover both incorporated and unincorporated enterprises. In accordance with the international standards, (i) when a direct investment enterprises makes a net loss, that net loss is recorded as negative reinvested earnings, (ii) the reinvested earnings are recorded in the period in which they are earned, and (iii) the data include reinvested earnings between nonresident nonfinancial direct investment enterprises and resident affiliated banks. Contrary to the international standards, the data do not include reinvested earnings between resident nonfinancial direct investment enterprises and nonresident affiliated banks. The treatment of affiliated financial auxiliaries (such as security dealers) is not applicable, as the data cover only the banking sector. (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) trade credits, and (iv) financial leases. The data do not cover 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, 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 non-participating preference shares which are classified under equity capital in the case of the monetary financial institutions sector, or under Portfolio Investment in the balance of payments statistics in the case of all other sectors, (ii) affiliated financial auxiliaries (such as security dealers) are treated differently from other affiliated financial intermediaries and affiliated banks, in that all positions between affiliated financial auxiliaries and between affiliated financial auxiliaries and affiliated financial intermediaries are included in the data, and with rare exceptions, the data do not include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, which are instead classified in the balance of payments statistics either under Portfolio Investment in the case of negotiable debt instruments, or under Other Investment in the case of nonnegotiable debt instruments. (In those exceptional instances when these positions can be identified, they are included in the data as recommended by the international standards. (Permanent debt is defined as being capital representing a permanent interest, usually subordinated loans or deposits.)

### **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 Spain 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 treated 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 Spain 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 "Assets: Portfolio Investment: Equity Securities", rather than as "Liabilities: Direct Investment in Spain: Equity Capital: Claims on Direct Investors". In accordance with the international standards, loan positions are recorded as "Liabilities: Direct Investment in Spain: 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 Spain of (i) construction enterprises, and (ii) drilling rigs. Quasi-corporations arising from the operation abroad by residents of Spain of ships, aircraft, and other mobile equipment are not applicable as such activities have not occurred to date.

#### **Treatment of Offshore Enterprises**

In accordance with the international standards, activities of offshore enterprises established abroad by residents of Spain 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 Spain are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Spain 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, (i) most positions with affiliated banks and affiliated financial intermediaries involving permanent debt are also excluded, and (ii) in the case of SPEs established abroad by residents of Spain that have the sole purpose of financial intermediation, loans made to resident direct investors with funds raised abroad are also excluded from the data.

#### **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 Spain. Land and buildings purchased abroad by enterprises and individuals resident in Spain on long-term leases are included. (Long-term leases are defined as being leases of one year or more.)

#### **Treatment of Natural Resources Exploration**

In accordance with the international standards, (i) expenditure related to natural resources exploration abroad by residents of Spain is included in the equity capital data, and (ii) expenditure on bonus payments made by residents of Spain 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. However, it is possible that not all instances of bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources are able to be identified from the present data sources. Contrary to the international standards, in instances of the shutdown of a direct investment enterprise established abroad by residents of Spain for natural resource exploration, an adjustment to reflect that shutdown is not made to the assets data on direct investment equity capital in the international investment position statistics, as such instances cannot be identified from the present data sources.

#### **Valuation of Assets and Liabilities**

Most data on equity capital for listed enterprises are recorded primarily at book values, which are the historical costs, although some are recorded at market values. The data on equity capital for unlisted enterprises are recorded at book values, which are the historical costs.

The data on other capital are recorded at nominal values.

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.