

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.

Finland:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in Finland

- **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 FINLAND

BALANCE OF PAYMENTS (“INWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable monthly data (the most timely) are compiled by the Bank of Finland (BOF) within the balance of payments framework on the components of direct investment financial flows: (i) equity capital, and (ii) other capital, and disseminated with a timeliness of 6 weeks after the end of the reference period on the following BOF website http://www.bof.fi/eng/5_tilastot/index.stm. Monthly data on the components of direct investment income: (i) income on equity (dividends and distributed branch profits), (ii) reinvested earnings, and (iii) income on debt (interest) are compiled but not disseminated.

Separately identifiable quarterly data are compiled by the BOF within the balance of payments framework on the components of direct investment income: (i) income on equity (dividends and distributed branch profits), (ii) reinvested earnings, and (iii) income on debt (interest), and disseminated with a timeliness of 3 months after the end of the reference period on the following BOF website http://www.bof.fi/eng/5_tilastot/index.stm. The data (quarterly rather than monthly) are also reported to the IMF and OECD for publication.

More comprehensive annual (calendar year) data are compiled by the BOF within the balance of payments framework on (a) the components of direct investment income: (i) income on equity (dividends and distributed branch profits), (ii) reinvested earnings, and (iii) income on debt (interest), and (b) the components of direct investment financial flows: (i) equity capital, and (ii) other capital. These data are disseminated with a timeliness of 9 months after the end of the reference period on the following BOF website http://www.bof.fi/eng/5_tilastot/index.stm. The data are also reported to the IMF and OECD for publication.

Revision Practices

The monthly and quarterly data are preliminary when first released. The monthly data on the components of the direct investment financial flows for the previous month are revised each month to take account of revised source data and are disseminated together with the preliminary data for the latest month. The monthly data are revised again at the time of the release of the quarterly data for the components of direct investment income and disseminated together with the preliminary data for the latest quarter. The quarterly data for the previous quarter are revised each quarter to take account of revised source data and are disseminated together with the preliminary data for the latest quarter. Both the monthly and the quarterly data for a specific year are revised and disseminated 6 months after the end of the reference year (that is, in June of each year) to take account of the preliminary results of the annual enterprise surveys. The data are revised again 3 months later, that is, in September each year, to take account of the final results of the annual enterprise surveys and are disseminated together with the final annual data. At this time the monthly and quarterly data are considered to be final, that is, between 7 and 18 months after their first release in the case of the monthly data, and between 6 and 15 months after their first release in the case of the quarterly data. The more comprehensive annual data are final when first released. It is planned that, with effect from the data for the year 2003, the monthly and quarterly data will no longer be revised 6 months after the end of the reference year to take account of the preliminary results of the annual enterprise survey, but only revised 9 months after the end of the reference year to take account of the results of the annual enterprise survey. The monthly, quarterly, and annual data will be final 21 months after the end of the reference year.

The revised status of the data is clearly identified in the disseminated data. The general public are not informed of the reasons for the revisions, primarily because of confidentiality constraints. However, the general public are informed of the reasons for those revisions arising from major changes in methodology and data collection systems. In instances of major changes in methodology or data collection systems the historical data are revised as far back as possible, usually about 5 years.

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

Data Coverage

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

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

Data Collection Method

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

Data Sources

The monthly data for all components except reinvested earnings are compiled from monthly enterprise surveys of resident enterprises. Information obtained from direct data requests to enterprises identified in press reports as being involved in major international mergers and acquisitions (that is, those with a purchase or selling price of at least 10 million Euro) is used as a secondary data source for the data on financial flows. The quarterly data for the data on income on debt (interest) are also compiled from the monthly enterprise surveys of resident enterprises. The quarterly data on dividends and distributed branch profits are estimates based on (i) the monthly enterprise surveys of resident enterprises, and (ii) the latest available data from the annual enterprise surveys of resident enterprises, which is allocated to the second quarter of the year, the most common period for dividend distributions in Finland. The quarterly data on reinvested earnings and undistributed branch profits are estimates based on the latest available data from the annual enterprise surveys of resident enterprises, divided into four equal parts.

The annual data (the most comprehensive) for all components are compiled from an annual enterprise survey of resident enterprises.

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

A business register of enterprises involved in direct investment is used to compile the inward direct investment transactions data. The register is maintained by the BOF and is updated on an ongoing basis using information from (i) a register maintained by Statistics Finland on foreign ownership of enterprises, (ii) a group register of related enterprises maintained by Statistics Finland that includes information on resident groups with foreign affiliates, (iii) a register of foreign-owned enterprises maintained by the Invest in Finland Bureau, a unit of the Ministry of Trade and Commerce, (iv) the financial press, (v) a register maintained by the stock exchange authorities, (vi) an annual balance of payments survey of enterprises resident in Finland with large and medium-sized assets and liabilities, and (vii) compulsory direct investment surveys. The same business register is used to compile the inward direct investment transactions and position data, and the outward direct investment transactions and position data.

Geographic Classification

Annual data showing breakdowns by country for the direct investment income data and the direct investment financial flows data are compiled by the BOF and disseminated once a year with a timeliness of 9 months after the end of the reference period on the following BOF website http://www.bof.fi/eng/5_tilastot/index.stm. 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 32 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 Finland during 2002 (ranked in descending order) were: Sweden, the Netherlands, Denmark, Germany, and the United Kingdom. The five countries with the largest amount of direct investment financial flows into Finland during 2002 (ranked in descending order) were: Sweden, Luxembourg, the United Kingdom, the United States, and Switzerland.

In addition to the data showing country breakdowns, annual data are compiled by the BOF showing breakdowns of both the direct investment income and direct investment financial flows by regions/economic zones and are disseminated with a timeliness of 9 months after the reference year. The national publication disseminates data

for only a limited range of regions/economic zones, but data for the following regions/economic zones are reported to the OECD and Eurostat for publication, subject to confidentiality constraints: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, (vii) the OPEC countries, and (viii) all the economic zones specified on the joint OECD/Eurostat questionnaire. These data are also available on request, subject to confidentiality constraints.

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.

Industrial Classification

Annual data showing breakdowns by industrial activity for the direct investment income data and the direct investment financial flows data are compiled by the BOF and disseminated once a year with a timeliness of 9 months after the end of the reference period on the following BOF website http://www.bof.fi/eng/5_tilastot/index.stm. The data disseminated in the national publication show a breakdown for 7 industrial activities. However, data for all the industrial activities specified in the joint OECD/Eurostat questionnaire are reported to the OECD and Eurostat for publication, subject to confidentiality constraints. These data are also available on request, subject to confidentiality constraints. The classification used is NACE Rev. 1, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

Both the data on direct investment income and direct investment financial flows are classified on the basis of the industrial activity of the resident direct investment enterprises. According to the joint OECD/Eurostat classification of industrial activities, the five industrial activities with the largest amount of direct investment income from investment in Finland during 2002 (in descending order) for which data can be disseminated subject to confidentiality constraints were: (i) financial intermediation, (ii) trade and repairs, (iii) manufacturing of metal and mechanical products, (iv) real estate and business activities, and (v) manufacturing of refined petroleum products, chemical products, rubber and plastic products. The five industrial activities with the largest amount of direct investment financial flows into Finland during 2002 (in descending order) for which data can be disseminated subject to confidentiality constraints were: (i) transport and communication, (ii) financial intermediation, (iii) manufacturing of food products, (iv) real estate and business activities, and (v) trade and repairs.

Annual data are compiled by the BOF for both the direct investment income data and the direct investment financial flows data showing a breakdown by both industrial activity and main partner country. These data are not disseminated, but are available on request, subject to confidentiality constraints, with a timeliness of 9 months after the end of the reference period. However, they are reported to the OECD and Eurostat for publication, subject to confidentiality constraints. For direct investment income, the five highest ranking partner countries during 2002 (ranked in descending order) for which breakdowns by industrial activity are compiled were: Sweden, the Netherlands, Denmark, Germany, and the United Kingdom. For direct investment financial flows, the five highest ranking partner countries during 2002 (ranked in descending order) for which breakdowns by industrial activity are compiled were: Sweden, Luxembourg, the United Kingdom, the United States, and Switzerland.

In addition, data compiled by the BOF for both the direct investment income data and the direct investment financial flows data showing a breakdown by both industrial activity and region/economic zone are available on request, subject to confidentiality constraints, with a timeliness of 9 months after the end of the reference period. These data are also reported to the OECD and Eurostat for publication, subject to confidentiality constraints.

There are no differences in the data coverage, sources, etc. between the inward transactions data showing industrial activity 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.

B. Methodology

Definition of Direct Investment Enterprises in Finland

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Finland 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, although the instructions given to reporting enterprises request that (i) the direct investment earnings data include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include all equity and other capital transactions made directly between resident enterprises of a related group as defined in the FCS and nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other, in practice respondents cannot strictly follow these instructions, primarily because of difficulties in obtaining this information for indirectly owned associates.

Enterprises in Finland 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

In accordance with the international standards, the “Current Operating Performance Concept” (COPC) is fully used to calculate direct investment earnings. Specifically, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses are not included, (iii) interest receivable/payable is included, and (iv) debt repayments receivable/payable are excluded.

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

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

Treatment of Reinvested Earnings and Undistributed Branch Profits

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

dealers) and other affiliated financial intermediaries and affiliated banks, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings.

Treatment of Income on Debt (Interest)

The data on income on debt (interest) cover both incorporated enterprises and unincorporated enterprises and include interest on (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, and (iv) financial leases. The data do not cover interest on trade credits. 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, (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, and (iii) most of the data are recorded on an accrual basis. However, contrary to the international standards, some data are compiled 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. 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, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. (Prior to the data for 2001, the data includes transactions between affiliated financial intermediaries involving claims and liabilities related to usual 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, (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, and (iii) the data include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as perpetual loans without a fixed maturity.) Contrary to the international standards, 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 entire amount of the loan/debt guarantee outstanding is treated as a direct investment equity injection by the guarantor and recorded under "Direct Investment in Finland: Equity Capital: Increase in Liabilities to Direct Investors" at the time the guarantee is invoked.

Treatment of Reverse Investment

Transactions involving reverse investment are treated in accordance with the international standards.

Assuming that the direct investment enterprise is a resident of Finland 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 Finland 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 Finland: Equity Capital: Increase in Claims on Direct Investors", and loan transactions are recorded as "Direct Investment in Finland: Other Capital: Increase in Claims on Direct Investors". However, the amounts recorded are too small to be reported to the IMF as "Direct Investment in Finland: 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 Finland by nonresidents of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs, as these activities cannot be identified from the present data sources.

Treatment of Offshore Enterprises

In accordance with the international standards, activities of offshore enterprises established in Finland 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 Finland by nonresidents are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established in Finland by nonresidents that have the primary purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt. (Prior to the release of the annual data for 2001, the data did not exclude these transactions.)

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data include purchases and sales of land and buildings in Finland by nonresident enterprises and nonresident individuals. Land and buildings purchased in Finland by nonresident enterprises and nonresident individuals on long-term leases cannot be identified from the present data sources.

Treatment of Natural Resources Exploration

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

Exchange Rate Conversion

Most transactions for all components except reinvested earnings are converted to the unit of account at the exchange rate prevailing on the day of the transaction, although some are converted at the average exchange rate for the period. All reinvested earnings transactions are converted to the unit of account at the average exchange rate for the period.

DIRECT INVESTMENT IN FINLAND

INTERNATIONAL INVESTMENT POSITION LIABILITIES (“INWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data (the most timely) are compiled by the BOF 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 BOF website http://www.bof.fi/eng/5_tilastot/index.stm. The data are also reported to the IMF for publication.

More comprehensive annual (calendar year) data are compiled by the BOF 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 9 months after the end of the reference period on the following BOF website http://www.bof.fi/eng/5_tilastot/index.stm. The data are also reported to the IMF and OECD for publication.

In addition, monthly data are compiled but not disseminated.

Revision Practices

The quarterly data are preliminary when first released. The quarterly data for the previous quarter are revised each quarter to take account of revised source data and are disseminated together with the preliminary data for the latest quarter. The quarterly data for a specific year are also revised and disseminated 6 months after the end of the reference year (that is, in June of each year) to take account of the preliminary results of the annual enterprise surveys. The data are revised again 3 months later, that is, in September each year, to take account of the final results of the annual enterprise surveys and are disseminated together with the final annual data. At this time quarterly data are considered to be final, that is, between 6 and 15 months after their first release. The more comprehensive annual data are final when first released. It is planned that, with effect from the data for the year 2003, the quarterly data will no longer be revised 6 months after the end of the reference year to take account of the preliminary results of the annual enterprise survey, but only revised 9 months after the end of the reference year to take account of the results of the annual enterprise survey. The quarterly and annual data will be final 21 months after the end of the reference year.

The revised status of the data is clearly identified in the disseminated data. The general public are not informed of the reasons for the revisions, primarily because of confidentiality constraints. However, the general public are informed of the reasons for those revisions arising from major changes in methodology and data collection systems. In instances of major changes in methodology or data collection systems the historical data are revised as far back as possible, usually about 5 years.

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

Data Coverage

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

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

Data Collection Method

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

Data Sources

The quarterly data (the most timely) for equity capital and reinvested earnings are compiled using the perpetual inventory method (a method for deriving position data from transactions data). Specifically, the quarterly data are compiled by adding the quarterly transactions for the current applicable period to the outstanding position data obtained from the latest annual enterprise survey. The quarterly data for the data on other capital are compiled from the monthly enterprise surveys of resident enterprises in most instances. However, for those enterprises not covered by the monthly enterprise surveys, the data on other capital are compiled using the perpetual inventory method by adding the quarterly transactions for the current applicable period to the outstanding position data obtained from the latest annual enterprise survey. Adjustments are made to the transactions data for price changes, exchange rate changes, and other nontransaction changes.

The annual data (the most comprehensive) for all components are compiled from an annual enterprise survey of resident enterprises, with the exception that the data on the ownership of land and buildings in Finland by nonresident individuals, which form part of the equity capital data, are compiled from estimated transactions data using the perpetual inventory method. No adjustments are made to the transactions data for price changes, exchange rate changes, and other nontransaction changes.

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

A business register of enterprises involved in direct investment is used to compile the inward direct investment position data. The register is maintained by the BOF and is updated on an ongoing basis using information from (i) a register maintained by Statistics Finland on foreign ownership of enterprises, (ii) a group register of related enterprises maintained by Statistics Finland that includes information on resident groups with foreign affiliates, (iii) a register of foreign-owned enterprises maintained by the Invest in Finland Bureau, a unit of the Ministry of Trade and Commerce, (iv) the financial press, (v) a register maintained by the stock exchange authorities, (vi) an annual balance of payments survey of enterprises resident in Finland with large and medium-sized assets and liabilities, and (vii) compulsory direct investment surveys. The same business register is used to compile the inward direct investment transactions and position data, and the outward direct investment transactions and position data.

Geographic Classification

Annual data showing breakdowns by country for the inward direct investment position data are compiled by the BOF and disseminated once a year with a timeliness of 9 months after the end of the reference period on the following BOF website http://www.bof.fi/eng/5_tilastot/index.stm. The data showing country breakdowns for the inward direct investment position data are also reported to the OECD and Eurostat. The data cover 32 countries and bilateral data are not used in the compilation of the data.

In accordance with the international standards, the data are compiled on an immediate country basis. The five countries with the largest amount of direct investment in Finland as at the end of 2002 (ranked in descending order) were: Sweden, the Netherlands, the United Kingdom, Denmark, and Germany.

In addition to the data showing country breakdowns, annual data are compiled by the BOF showing breakdowns of the inward direct investment position data by regions/economic zones and are disseminated with a timeliness of 9 months after the reference year. The national publication disseminates data for only a limited range of regions/economic zones, but data for the following regions/economic zones are reported to the OECD and Eurostat for publication, subject to confidentiality constraints: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, (vii) the OPEC countries, and (viii) all the economic zones specified on the joint OECD/Eurostat questionnaire. These data are also available on request, subject to confidentiality constraints.

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 Eurostat, and the aggregate inward position data reported to the IMF for publication.

Industrial Classification

Annual data showing breakdowns by industrial activity for the inward direct investment position data are compiled by the BOF and disseminated once a year with a timeliness of 9 months after the end of the reference period on the following BOF website http://www.bof.fi/eng/5_tilastot/index.stm. The data disseminated in the national publication show a breakdown for 7 industrial activities. However, data for all the industrial activities specified in the joint OECD/Eurostat questionnaire are reported to the OECD and Eurostat for publication, subject to confidentiality constraints. These data are also available on request, subject to confidentiality constraints. The classification used is NACE Rev. 1, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

The inward direct investment position data are classified on the basis of the industrial activity of the resident direct investment enterprises. According to the joint OECD/Eurostat classification of industrial activities the five industrial activities with the largest amount of direct investment in Finland as at the end of 2002 (in descending order) for which data can be disseminated subject to confidentiality constraints were: (i) financial intermediation, (ii) trade and repairs, (iii) manufacturing of food products, (iv) real estate and business activities, and (v) transport and communication.

Annual data are compiled by the BOF for the inward direct investment position data showing a breakdown by both industrial activity and main partner country. These data are not disseminated, but are available on request, subject to confidentiality constraints, with a timeliness of 9 months after the end of the reference period. However, they are reported to the OECD and Eurostat for publication, subject to confidentiality constraints. The five highest ranking partner countries as at the end of 2002 (ranked in descending order) for which breakdowns by industrial activity are compiled were: Sweden, the Netherlands, the United Kingdom, Denmark, and Germany.

In addition, data compiled by the BOF for the inward direct investment position data showing a breakdown by both industrial activity and region/economic zone are available on request, subject to confidentiality constraints, with a timeliness of 9 months after the end of the reference period. These data are also reported to the OECD and Eurostat for publication, subject to confidentiality constraints.

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 Eurostat, and the aggregate inward position data reported to the IMF for publication.

B. Methodology

Definition of Direct Investment Enterprises in Finland

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Finland 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, although the instructions given to reporting enterprises request that the data include (i) the relevant share of the reinvested earnings of indirectly-owned direct investment enterprises, and (ii) all equity capital and other capital positions held directly by resident enterprises of a related group as defined in the FCS with nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these direct investors or enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other, in practice respondents cannot strictly follow these instructions, primarily because of difficulties in obtaining this information for indirectly owned associates.

Enterprises in Finland 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) 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.

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

Treatment of Other Capital

The other capital position data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (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, and (iii) the data include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as perpetual loans without a fixed maturity.) Contrary to the international standards, 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 entire amount of the loan/debt guarantee outstanding is treated as a direct investment equity injection by the guarantor and recorded under "Liabilities: Direct Investment in Finland: Equity Capital: Liabilities to Direct investors" at the time the guarantee is invoked.

Treatment of Reverse Investment

Positions involving reverse investment are treated in accordance with the international standards.

Assuming that the direct investment enterprise is a resident of Finland 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 Finland 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 Finland: Equity Capital: Claims on Direct Investors", and loan positions are recorded as "Liabilities: Direct Investment in Finland: Other Capital: Claims on Direct Investors". However, the amounts recorded are too small to be reported to the IMF as "Liabilities: Direct Investment in Finland: 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 Finland by nonresidents of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs, as these activities cannot be identified from the present data sources.

Treatment of Offshore Enterprises

In accordance with the international standards, activities of offshore enterprises established in Finland 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 Finland by nonresidents are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established in Finland by nonresidents that have the primary purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt. (Prior to the release of the annual data for 2001, these positions were not excluded from the data.)

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data include ownership of land and buildings in Finland by nonresident enterprises and nonresident individuals. Land and buildings owned in Finland by nonresident enterprises and nonresident individuals on long-term leases cannot be identified from the present data sources.

Treatment of Natural Resources Exploration

Contrary to the international standards, (i) the equity capital data do not include expenditure related to natural resources exploration in Finland by nonresidents, (ii) expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, and (iii) in instances of the shutdown of a direct investment enterprise established in Finland 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 this information is not available from the present data sources.

Valuation of Assets and Liabilities

The data on equity capital for both listed enterprises and unlisted enterprises are recorded at book values, which are a mixture of historical cost and an interim adjusted price.

The data on other capital are also recorded at book values, which are a mixture of historical cost and an interim adjusted price.

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 (the most timely) are compiled by the Bank of Finland (BOF) within the balance of payments framework on the components of direct investment financial flows: (i) equity capital, and (ii) other capital, and disseminated with a timeliness of 6 weeks after the end of the reference period on the following BOF website http://www.bof.fi/eng/5_tilastot/index.stm. Monthly data on the components of direct investment income: (i) income on equity (dividends and distributed branch profits), (ii) reinvested earnings, and (iii) income on debt (interest) are compiled but not disseminated.

Separately identifiable quarterly data are compiled by the BOF within the balance of payments framework on the components of direct investment income: (i) income on equity (dividends and distributed branch profits), (ii) reinvested earnings, and (iii) income on debt (interest), and disseminated with a timeliness of 3 months after the end of the reference period on the following BOF website http://www.bof.fi/eng/5_tilastot/index.stm. The data (quarterly rather than monthly) are also reported to the IMF and OECD for publication.

More comprehensive annual (calendar year) data are compiled by the BOF within the balance of payments framework on (a) the components of direct investment income: (i) income on equity (dividends and distributed branch profits), (ii) reinvested earnings, and (iii) income on debt (interest), and (b) the components of direct investment financial flows: (i) equity capital, and (ii) other capital. These data are disseminated with a timeliness of 9 months after the end of the reference period on the following BOF website http://www.bof.fi/eng/5_tilastot/index.stm. The data are also reported to the IMF and OECD for publication.

Revision Practices

The monthly and quarterly data are preliminary when first released. The monthly data on the components of the direct investment financial flows for the previous month are revised each month to take account of revised source data and are disseminated together with the preliminary data for the latest month. The monthly data are revised again at the time of the release of the quarterly data for the components of direct investment income and disseminated together with the preliminary data for the latest quarter. The quarterly data for the previous quarter are revised each quarter to take account of revised source data and are disseminated together with the preliminary data for the latest quarter. Both the monthly and the quarterly data for a specific year are revised and disseminated 6 months after the end of the reference year (that is, in June of each year) to take account of the preliminary results of the annual enterprise surveys. The data are revised again 3 months later, that is, in September each year, to take account of the final results of the annual enterprise surveys and are disseminated together with the final annual data. At this time the monthly and quarterly data are considered to be final, that is, between 7 and 18 months after their first release in the case of the monthly data, and between 6 and 15 months after their first release in the case of the quarterly data. The more comprehensive annual data are final when first released. It is planned that, with effect from the data for the year 2003, the monthly and quarterly data will no longer be revised 6 months after the end of the reference year to take account of the preliminary results of the annual enterprise survey, but only revised 9 months after the end of the reference year to take account of the results of the annual enterprise survey. The monthly, quarterly, and annual data will be final 21 months after the end of the reference year.

The revised status of the data is clearly identified in the disseminated data. The general public are not informed of the reasons for the revisions, primarily because of confidentiality constraints. However, the general public are informed of the reasons for those revisions arising from major changes in methodology and data collection systems. In instances of major changes in methodology or data collection systems the historical data are revised as far back as possible, usually about 5 years.

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

Data Coverage

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

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

Data Collection Method

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

Data Sources

The monthly data for the components of the direct investment financial flows (the most timely) are compiled primarily from monthly enterprise surveys of direct investors resident in Finland. Information obtained from direct data requests to enterprises identified in press reports as being involved in major international mergers and acquisitions (that is, those with a purchase or selling price of at least 10 million Euro) is used as a secondary data source. The quarterly data for the data on income on equity (dividends and distributed branch profits) and income on debt (interest) (the most timely) are also compiled from the monthly enterprise surveys of direct investors resident in Finland. The quarterly data on reinvested earnings and undistributed branch profits, are estimates based on the latest available data from the annual enterprise surveys of direct investors resident in Finland, divided into four equal parts.

The annual data (the most comprehensive) for all components are compiled from an annual enterprise survey of resident enterprises.

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

A business register of enterprises involved in direct investment is used to compile the outward direct investment transactions data. The register is maintained by the BOF and is updated on an ongoing basis using information from (i) a register maintained by Statistics Finland on foreign ownership of enterprises, (ii) a group register of related enterprises maintained by Statistics Finland that includes information on resident groups with foreign affiliates, (iii) a register of foreign-owned enterprises maintained by the Invest in Finland Bureau, a unit of the Ministry of Trade and Commerce, (iv) the financial press, (v) a register maintained by the stock exchange authorities, (vi) an annual balance of payments survey of enterprises resident in Finland with large and medium-sized assets and liabilities, and (vii) compulsory direct investment surveys. The same business register is used to compile the outward direct investment transactions and position data, and the inward direct investment transactions and position data.

Geographic Classification

Annual data showing breakdowns by country for the direct investment income data and the direct investment financial flows data are compiled by the BOF and disseminated once a year with a timeliness of 9 months after the end of the reference period on the following BOF website http://www.bof.fi/eng/5_tilastot/index.stm. 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 45 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 Finland during 2002 (ranked in descending order) were: Sweden, the Netherlands, Germany, the United States, and Denmark. The five countries with the largest amount of direct investment financial flows from Finland during 2002 (ranked in descending order) were: Sweden, Switzerland, Belgium, Jersey, and Norway.

In addition to the data showing country breakdowns, annual data are compiled by the BOF showing breakdowns of both the direct investment income and direct investment financial flows by regions/economic zones and are disseminated with a timeliness of 9 months after the reference year. The national publication disseminates data for only a limited range of regions/economic zones, but data for the following regions/economic zones are reported to the OECD and Eurostat for publication, subject to confidentiality constraints: (i) the EU15, (ii) EFTA,

(iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, (vii) the OPEC countries, and (viii) all the economic zones specified on the joint OECD/Eurostat questionnaire. These data are also available on request, subject to confidentiality constraints.

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.

Industrial Classification

Annual data showing breakdowns by industrial activity for the direct investment income data and the direct investment financial flows data are compiled by the BOF and disseminated once a year with a timeliness of 9 months after the end of the reference period on the following BOF website http://www.bof.fi/eng/5_tilastot/index.stm. The data disseminated in the national publication show a breakdown for 7 industrial activities. However, data for all the industrial activities specified in the joint OECD/Eurostat questionnaire are reported to the OECD and Eurostat for publication, subject to confidentiality constraints. These data are also available on request, subject to confidentiality constraints. The classification used is NACE Rev. 1, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

Both the data on direct investment income and direct investment financial flows are classified on the basis of the industrial activity of the resident direct investors. According to the joint OECD/Eurostat classification of industrial activities, the five industrial activities with the largest amount of direct investment income from investment abroad by residents of Finland during 2002 (in descending order) for which data can be disseminated subject to confidentiality constraints were: (i) manufacturing of office machinery, computers, radio, television, and communication equipment, (ii) manufacturing of textiles, wood, pulp, paper, and paper products, publishing and printing, (iii) financial intermediation, (iv) manufacturing of refined petroleum products, chemical products, rubber and plastics products, and (v) manufacturing of food products. The five industrial activities with the largest amount of direct investment financial flows from Finland during 2002 (in descending order) for which data can be disseminated subject to confidentiality constraints were: (i) manufacturing of office machinery, computers, radio, television, and communication equipment, (ii) financial intermediation, (iii) manufacturing of textiles, wood, pulp, paper, paper products, publishing and printing, (iv) manufacturing of refined petroleum products, chemical products, rubber and plastics products, and (v) real estate and business activities.

Annual data are compiled by the BOF for both the direct investment income data and the direct investment financial flows data showing a breakdown by both industrial activity and main partner country. These data are not disseminated, but are available on request, subject to confidentiality constraints, with a timeliness of 9 months after the end of the reference period. However, they are reported to the OECD and Eurostat for publication, subject to confidentiality constraints. For direct investment income, the five highest ranking partner countries during 2002 (ranked in descending order) for which breakdowns by industrial activity are compiled were: Sweden, the Netherlands, Germany, the United States, and Denmark. For direct investment financial flows, the five highest ranking partner countries during 2002 (ranked in descending order) for which breakdowns by industrial activity are compiled were: Sweden, Switzerland, Belgium, Jersey, and Norway.

In addition, data compiled by the BOF for both the direct investment income data and the direct investment financial flows data showing a breakdown by both industrial activity and region/economic zone are available on request, subject to confidentiality constraints, with a timeliness of 9 months after the end of the reference period. These data are also reported to the OECD and Eurostat for publication, subject to confidentiality constraints.

There are no differences in the data coverage, sources, etc. between the outward transactions data showing industrial activity 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.

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, although the instructions given to reporting enterprises request that (i) the direct investment earnings data include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include all equity and other capital transactions made directly between resident enterprises of a related group as defined in the FCS and nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other, in practice respondents cannot strictly follow these instructions, primarily because of difficulties in obtaining this information for indirectly owned associates.

Enterprises in Finland 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

In accordance with the international standards, the “Current Operating Performance Concept” (COPC) is fully used to calculate direct investment earnings. Specifically, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses are not included, (iii) interest receivable/payable is included, and (iv) debt repayments receivable/payable are excluded.

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

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

Treatment of Reinvested Earnings and Undistributed Branch Profits

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

Treatment of Income on Debt (Interest)

The data on income on debt (interest) cover both incorporated enterprises and unincorporated enterprises and include interest on (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, and (iv) financial leases. The data do not cover interest on trade credits. 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, (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, and (iii) most of the data are recorded on an accrual basis. However, contrary to the international standards, some data are compiled 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. 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, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (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, and (iii) the data include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as perpetual loans without a fixed maturity.) Contrary to the international standards, 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 entire amount of the loan/debt guarantee outstanding is treated as a direct investment equity injection by the guarantor and recorded under "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises" at the time the guarantee is invoked.

Treatment of Reverse Investment

Transactions involving reverse investment are treated in accordance with the international standards.

Assuming that the direct investment enterprise is a resident of Finland 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 Finland 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 Finland: Equity Capital: Increase in Claims on Direct Investors”, and loan transactions are recorded as “Direct Investment in Finland: Other Capital: Increase in Claims on Direct Investors”. However, the data are too small to be reported to the IMF as “Direct Investment in Finland: 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 Finland of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs, as these activities cannot be identified from the present data sources.

Treatment of Offshore Enterprises

In accordance with the international standards, activities of offshore enterprises established abroad by residents of Finland 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 Finland are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Finland that have the primary purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt. (Prior to the release of the annual data for 2001, these transactions were not 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 Finland. Land and buildings purchased abroad by enterprises and individuals resident in Finland on long-term leases cannot be identified from the present data sources.

Treatment of Natural Resources Exploration

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

Exchange Rate Conversion

Most transactions for all components except reinvested earnings are converted to the unit of account at the exchange rate prevailing on the day of the transaction, although some are converted at the average exchange rate for the period. All reinvested earnings 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 (the most timely) are compiled by the BOF 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 BOF website http://www.bof.fi/eng/5_tilastot/index.stm. The data are also reported to the IMF for publication.

More comprehensive annual (calendar year) data are compiled by the BOF 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 9 months after the end of the reference period on the following BOF website http://www.bof.fi/eng/5_tilastot/index.stm. The data are also reported to the IMF and OECD for publication.

In addition, monthly data are compiled but not disseminated.

Revision Practices

The quarterly data are preliminary when first released. The quarterly data for the previous quarter are revised each quarter to take account of revised source data and are disseminated together with the preliminary data for the latest quarter. The quarterly data for a specific year are also revised and disseminated 6 months after the end of the reference year (that is, in June of each year) to take account of the preliminary results of the annual enterprise surveys. The data are revised again 3 months later, that is, in September each year, to take account of the final results of the annual enterprise surveys and are disseminated together with the final annual data. At this time quarterly data are considered to be final, that is, between 6 and 15 months after their first release. The more comprehensive annual data are final when first released. It is planned that, with effect from the data for the year 2003, the quarterly data will no longer be revised 6 months after the end of the reference year to take account of the preliminary results of the annual enterprise survey, but only revised 9 months after the end of the reference year to take account of the results of the annual enterprise survey. The quarterly and annual data will be final 21 months after the end of the reference year.

The revised status of the data is clearly identified in the disseminated data. The general public are not informed of the reasons for the revisions, primarily because of confidentiality constraints. However, the general public are informed of the reasons for those revisions arising from major changes in methodology and data collection systems. In instances of major changes in methodology or data collection systems the historical data are revised as far back as possible, usually about 5 years.

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

Data Coverage

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

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

Data Collection Method

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

Data Sources

The quarterly data (the most timely) for equity capital and reinvested earnings are compiled using the perpetual inventory method (a method for deriving position data from transactions data). Specifically, the quarterly data are compiled by adding the quarterly transactions for the current applicable period to the outstanding position data obtained from the latest annual enterprise survey. Adjustments are made to the transactions data for price changes, exchange rate changes, and other nontransaction changes. The quarterly data for the data on other capital are compiled from the monthly enterprise surveys of direct investors resident in Finland in most instances. However, for those enterprises not covered by the monthly enterprise surveys, the data on other capital are compiled using the perpetual inventory method by adding the quarterly transactions for the current applicable period to the outstanding position data obtained from the latest annual enterprise survey. Adjustments are made to the transactions data for price changes, exchange rate changes, and other nontransaction changes.

The annual data (the most comprehensive) for all components are compiled from an annual enterprise survey of direct investors resident in Finland, with the exception that the data on the ownership of land and buildings abroad by resident individuals, which form part of the equity capital data, are compiled from estimated transactions data using the perpetual inventory method. Adjustments are made to the transactions data for exchange rate changes, but not for price changes, or other nontransaction changes.

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

A business register of enterprises involved in direct investment is used to compile the outward direct investment position data. The register is maintained by the BOF and is updated on an ongoing basis using information from (i) a register maintained by Statistics Finland on foreign ownership of enterprises, (ii) a group register of related enterprises maintained by Statistics Finland that includes information on resident groups with foreign affiliates, (iii) a register of foreign-owned enterprises maintained by the Invest in Finland Bureau, a unit of the Ministry of Trade and Commerce, (iv) the financial press, (v) a register maintained by the stock exchange authorities, (vi) an annual balance of payments survey of enterprises resident in Finland with large and medium-sized assets and liabilities, and (vii) compulsory direct investment surveys. The same business register is used to compile the outward direct investment transactions and position data, and the inward direct investment transactions and position data.

Geographic Classification

Annual data showing breakdowns by country for the outward direct investment position data are compiled by the BOF and disseminated once a year with a timeliness of 9 months after the end of the reference period on the following BOF website http://www.bof.fi/eng/5_tilastot/index.stm. The data showing country breakdowns for the outward direct investment position data are also reported to the OECD and Eurostat. The data cover 45 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 Finland as at the end of 2002 (ranked in descending order) were: Sweden, the Netherlands, the United States, Switzerland, and Germany.

In addition to the data showing country breakdowns, annual data are compiled by the BOF showing breakdowns of the outward direct investment position data by regions/economic zones and are disseminated with a timeliness of 9 months after the reference year. The national publication disseminates data for only a limited range of regions/economic zones, but data for the following regions/economic zones are reported to the OECD and Eurostat for publication, subject to confidentiality constraints: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, (vii) the OPEC countries, and (viii) all the economic zones specified on the joint OECD/Eurostat questionnaire. These data are also available on request, subject to confidentiality constraints.

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 Eurostat, 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 BOF and disseminated once a year with a timeliness of 9 months after the end of the reference period on the following BOF website http://www.bof.fi/eng/5_tilastot/index.stm. The data disseminated in the national publication show a breakdown for 7 industrial activities. However, data for all the industrial activities specified in the joint OECD/Eurostat questionnaire are reported to the OECD and Eurostat for publication, subject to confidentiality constraints. These data are also available on request, subject to confidentiality constraints. The classification used is NACE Rev. 1, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

The outward direct investment position data are classified on the basis of the industrial activity of the resident direct investors. According to the joint OECD/Eurostat classification of industrial activities, the five industrial activities with the largest amount of direct investment from Finland as at the end of 2002 (in descending order) for which data can be disseminated subject to confidentiality constraints were : (i) manufacturing of textiles, wood, pulp, paper, and paper products, publishing and printing, (ii) manufacturing of office machinery, computers, radio, television, and communication equipment, (iii) financial intermediation, (iv) manufacturing of metal and mechanical products, and (v) manufacturing of refined petroleum products, chemical products, rubber and plastic products.

Annual data are compiled by the BOF for the outward direct investment position data showing a breakdown by both industrial activity and main partner country. These data are not disseminated, but are available on request, subject to confidentiality constraints, with a timeliness of 9 months after the end of the reference period. However, they are reported to the OECD and Eurostat for publication, subject to confidentiality constraints. The five highest ranking partner countries as at the end of 2002 (ranked in descending order) for which breakdowns by industrial activity are compiled were: Sweden, the Netherlands, the United States, Switzerland, and Germany.

In addition, data compiled by the BOF for the outward direct investment position data showing a breakdown by both industrial activity and region/economic zone are available on request, subject to confidentiality constraints, with a timeliness of 9 months after the end of the reference period. These data are also reported to the OECD and Eurostat for publication, subject to confidentiality constraints.

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 for publication and the aggregate outward position data reported to the IMF for publication.

B. Methodology

Definition of Direct Investors

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

Treatment of Indirectly Owned Direct Investment Enterprises

The “Fully Consolidated System” (FCS) recommended in the international standards is partially applied. Specifically, although the instructions given to reporting enterprises request that the data include (i) the relevant share of the reinvested earnings of indirectly-owned direct investment enterprises, and (ii) all equity capital and other capital positions held directly by resident enterprises of a related group as defined in the FCS with nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these direct investors or enterprises in each other, and including those enterprises that share a common direct

investor but have no ownership in each other, in practice respondents cannot strictly follow these instructions, primarily because of difficulties in obtaining this information for indirectly owned associates.

Enterprises in Finland 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) 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 shares, which are classified as equity capital, rather than as other capital.

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

Treatment of Other Capital

The other capital position data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (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, and (iii) the data include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as perpetual loans without a fixed maturity.) Contrary to the international standards, 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 entire amount of the loan/debt guarantee outstanding is treated as a direct investment equity injection by the guarantor and recorded under "Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises" at the time the guarantee is invoked.

Treatment of Reverse Investment

Positions involving reverse investment are treated in accordance with the international standards.

Assuming that the direct investment enterprise is a resident of Finland 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 Finland 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 Finland: Equity Capital: Claims on Direct Investors", and loan positions are recorded as "Liabilities: Direct Investment in Finland: Other Capital: Claims on Direct Investors". However, the amounts recorded are too small to be reported to the IMF as "Liabilities: Direct Investment in Finland: 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 Finland of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs, as these activities cannot be identified from the present data sources.

Treatment of Offshore Enterprises

In accordance with the international standards, activities of offshore enterprises established abroad by residents of Finland 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 Finland are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Finland that have the primary purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt. (Prior to the release of the annual data for 2001, these positions were not excluded from the data.)

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data include ownership of land and buildings abroad by enterprises and individuals resident in Finland. Land and buildings owned abroad by enterprises and individuals resident in Finland on long-term leases cannot be identified from the present data sources.

Treatment of Natural Resources Exploration

Contrary to the international standards, (i) the data do not include expenditure related to natural resources exploration abroad by residents of Finland, (ii) expenditure abroad on bonus payments made by residents of Finland to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, and (iii) in instances of the shutdown of a direct investment enterprise established abroad by residents of Finland 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 this information is not available from the present data sources.

Valuation of Assets and Liabilities

The data on equity capital for both listed enterprises and unlisted enterprises are recorded at book values, which are a mixture of historical cost and an interim adjusted price.

The data on other capital are also recorded at book values, which are a mixture of historical cost and an interim adjusted price.

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