

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.

France:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in France

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Direct Investment Abroad

- **Balance of Payments (“Transactions Data”)**
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DIRECT INVESTMENT IN FRANCE

BALANCE OF PAYMENTS (“INWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable monthly data are compiled by the Banque de France within the balance of payments framework on (a) two of the three components of direct investment income: (i) income on equity (dividends and distributed branch profits), and (ii) reinvested earnings, and (b) the components of direct investment financial flows: (i) equity capital, and (ii) other capital. These data are disseminated with a timeliness of 6 weeks after the end of the reference period in *Dernière analyse mensuelle sur la balance des paiements de la France*, also available on the Banque de France website (www.banque-France.fr). The data are also reported to the IMF for publication (quarterly rather than monthly).

Separately identifiable data on income on debt (interest) are not compiled, but are instead included indistinguishably under Portfolio Investment and Other Investment in the balance of payments statistics.

Revision Practices

The data are preliminary when first released. The data are revised on a quarterly basis three months after the end of the relevant quarter to take account of updated data or corrections. The revised data are disseminated in the annual report, *Rapport annuel: la balance des paiements et la position extérieure de la France*, 7 to 9 months after the end of the year, at which time they are considered to be final, that is, up to 19 months after their first release. However, the data can be subject to further revision following the compilation of the most comprehensive inward position data, approximately 18 months after the end of the relevant calendar year.

The revised status of the data is clearly identified in the disseminated data and the general public are informed of the reasons for the revisions. The historical data are revised back for 10 years in instances of major changes in methodology or data collection systems.

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

Data Coverage

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

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

Data Collection Method

The data are collected using a mixture of an individual transactions basis and an aggregate basis—the data for most components are collected on an individual transactions basis, while the data on reinvested earnings are collected on an aggregate basis. The reporting requirements are compulsory.

Data Sources

The data for all components, except reinvested earnings, are compiled primarily from an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, and cash transactions made through the foreign bank accounts of enterprises, but not noncash transactions. Press reports and data from a private sector database on mergers and acquisitions are used as secondary data sources for estimations of missing data on equity capital. Information from investment approval authorities on investments actually made are used for cross-checking the data, and bilateral data are also used on occasion for this purpose. The data on reinvested earnings are compiled from an annual enterprise survey of

inward position data, with estimates of the monthly transactions derived by dividing the latest available annual data into 12 equal parts.

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

A business register of enterprises involved in direct investment is used to compile the inward direct investment transactions data. The register is maintained by the Banque de France and is updated annually using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, (iii) regional branches/offices of the Banque de France (for the outward data only), and (iv) a register maintained by government licensing and regulatory authorities (for the inward data only). 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

Monthly data showing breakdowns by country for the direct investment income data and the direct investment financial flows data are compiled by the Banque de France and are disseminated once a year with a timeliness of 7 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*. (Prior to 2003 quarterly data were disseminated with a timeliness of 3 months after the end of the reference period. These data are no longer disseminated, but are available on request.) 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 25 countries. However, data for all countries are available on request, subject to confidentiality constraints. Bilateral data are used on occasion 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 France during 2002 (ranked in descending order) were: the United States, Belgium, the United Kingdom, the Netherlands, and Canada. The five countries with the largest amount of direct investment financial flows into France during 2002 (ranked in descending order) were: the United Kingdom, Germany, Luxembourg, the United States, and the Netherlands.

In addition to the data showing country breakdowns, annual data compiled by the Banque de France showing breakdowns of both the direct investment income and direct investment financial flows for the following regions/economic zones are disseminated once a year with a timeliness of 7 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, and (vii) the OPEC countries. However, data for all regions/economic zones are available on request, subject to confidentiality constraints. These data are also reported to the OECD and Eurostat.

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

Monthly data showing breakdowns by industrial activity for the direct investment financial flows data are compiled by the Banque de France and are disseminated once a year with a timeliness of 7 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*. (Prior to 2003 quarterly data were disseminated with a timeliness of 3 months after the end of the reference period. These data are no longer disseminated, but are available on request.) The data showing breakdowns by industrial activity for the direct investment financial flows data are also reported to the OECD and Eurostat. The data show a breakdown for 39 industrial activities. However, data for all industrial activities are 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). Data showing breakdowns by industrial activity for the direct investment income data are not compiled.

The data are classified on the basis of the industrial activity of the resident direct investment enterprises. The five industrial activities with the largest amount of direct investment financial flows into France during 2002 (in

descending order) were: (i) real estate and business activities, (ii) other business activities, (iii) business and management consultancy, (iv) management holding companies, and (v) manufacturing.

Monthly data are compiled by the Banque de France for the direct investment financial flows data showing a breakdown by both industrial activity and partner country. The data are disseminated once a year with a timeliness of 7 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*. Data showing breakdowns by industrial activity are available for all countries on request, subject to confidentiality constraints. The five highest ranking partner countries during 2002 (ranked in descending order) for which breakdowns by industrial activity are disseminated were: the United Kingdom, Germany, Luxembourg, the United States, and the Netherlands.

In addition, monthly data are compiled by the Banque de France for the direct investment financial flows data showing a breakdown by both industrial activity and region/economic zone. The data are disseminated once a year with a timeliness of 7 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*. Data showing breakdowns by industrial activity are available for all regions/economic zones on request, 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 financial flows reported to the IMF for publication.

B. Methodology

Definition of Direct Investment Enterprises in France

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

Treatment of Indirectly Owned Direct Investment Enterprises

The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. All transactions of indirectly-owned enterprises are excluded from the direct investment data. Specifically, (i) the direct investment earnings data do not include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include the 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. However, studies are underway to assess the possibility of including transactions of indirectly-owned enterprises beginning in 2008.

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

Measurement of Direct Investment Earnings

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

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

The data on dividends and distributed branch profits cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, dividends and distributed branch profits are recorded (i) net, rather than gross, of any withholding taxes, and (ii) on the date they are paid, rather than the date they are declared payable. In accordance with the international standards, (i) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (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.

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 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, (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (iii) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings. Contrary to the international standards, reinvested earnings and undistributed branch profits are not recorded in the period in which they are earned but in the period in which they could have been distributed instead of reinvested (that is, Year N reinvested earnings are calculated as Year N profits minus Year N-1 dividends and distributed profits paid during Year N).

Treatment of Income on Debt (Interest)

Not applicable. Separately identifiable data on income on debt (interest) are not compiled.

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 subordinated loans between monetary financial institutions, which are classified under equity capital rather than other capital, primarily because of confidentiality constraints.

Treatment of Other Capital

The other capital transactions data cover: (i) long-term loans, and (ii) short-term loans. The data do not cover (i) bonds and money market instruments, (ii) trade credits, and (iii) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include non-participating preference [preferred] shares, (ii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks, and (iv) the data include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as being securitized debt instruments (perpetual bonds) and unsecuritized debt instruments, with the exception of subordinated loans between monetary financial institutions, which are classified under equity capital rather than other capital, primarily because of confidentiality constraints.)

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 cannot be identified from the present data sources.

Treatment of Reverse Investment

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

Assuming that the direct investment enterprise is a resident of France 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 France and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity transactions are recorded as "Portfolio Investment: Increase in Assets: Equity Securities", rather than as "Direct Investment in France: Equity Capital: Increase in Claims on Direct Investors". Also contrary to the international standards, short-term loan transactions are recorded as "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises", rather than as "Direct Investment in France: Other Capital: Increase in Claims on Direct Investors". However, there are plans to treat short-term loan transactions in accordance with the international standards with effect from 2004. Long-term loan transactions are recorded in accordance with the international standards as "Direct Investment in France: Other Capital: Increase in Claims on Direct Investors". However, these transactions are not reported as such to the IMF, but instead are reported to the IMF for publication as "Direct Investment in France: Other Capital: Decrease in Liabilities to Direct Investors". There are plans to begin to report the data on long-term loan transactions, together with the data on short-term loan transactions, to the IMF for publication as "Direct Investment in France: Other Capital: Increase in Claims on Direct Investors" with effect from 2004.

Treatment of Quasi-corporations

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

Treatment of Offshore Enterprises

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

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, activities of SPEs established in France by nonresidents are included in the direct investment data. SPEs established in France by nonresidents that have the primary purpose of financial intermediation cannot be identified from the present data sources, and therefore, contrary to the international standards, their transactions with affiliated banks and affiliated financial intermediaries, except those involving equity capital and permanent debt, are 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 in France by nonresident enterprises and nonresident individuals. Land and buildings purchased in France by nonresident enterprises and nonresident individuals on long-term leases are not included.

Treatment of Natural Resources Exploration

In accordance with the international standards, (i) expenditure related to natural resources exploration in France by nonresidents is included in the equity capital data, and (ii) expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is included in the equity capital data when there is a clear intention to establish a direct investment enterprise. Instances of the

shutdown of a direct investment enterprise established in France by nonresidents for natural resource exploration have not occurred to date.

Exchange Rate Conversion

All transactions except reinvested earnings are converted to the unit of account at the average exchange rate for the period. Reinvested earnings are converted to the unit account at the exchange rate prevailing at the end of the period for which the data are recorded.

DIRECT INVESTMENT IN FRANCE

INTERNATIONAL INVESTMENT POSITION LIABILITIES (“INWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable annual (calendar year) data (the most timely) are compiled by the Banque de France 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 6 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*, available also on the Banque de France website (www.banque-France.fr). The data are also reported to the IMF for publication, as well as to the OECD and Eurostat.

More comprehensive annual (calendar year) data are compiled by the Banque de France 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 18 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*. The data are also reported to the IMF for publication, as well as to the OECD and Eurostat.

Revision Practices

The most timely data are preliminary when first released. The data are revised once when the more comprehensive data that are based on the annual survey are available (that is, 12 months after their first release), and then again one year later when the more comprehensive data for N+1 are available, at which time they become final, that is, 24 months after their first release.

The revised status of the data is clearly identified in the disseminated data and the general public are informed of the reasons for the revisions. The historical data are revised back for 10 years in instances of major changes in methodology or data collection systems.

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

Data Coverage

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

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

Data Collection Method

The data are collected using a mixture of an individual transactions basis and an aggregate basis—the most timely data are collected primarily on an individual transactions basis, while the most comprehensive data are collected on an aggregate basis. The reporting requirements are compulsory.

Data Sources

The most timely data for all components are compiled from the position data for the latest available prior year, plus (i) an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, and cash transactions made through the foreign bank accounts of enterprises, but not noncash transactions, for the reference year data for the equity capital and other capital components, and (ii) the annual enterprise survey for the latest available year for the reference year estimates of reinvested earnings. The perpetual inventory method (a method for deriving position data from transactions data) is used to compile the most timely data for the reference year, which are based on the transactions data for that year with adjustments for price changes, and exchange rate changes, but not for other nontransaction changes.

The most comprehensive data for all components are compiled primarily from an annual enterprise survey of resident enterprises. Company accounts of resident direct investment enterprises are used as a secondary data source for the data on reinvested earnings, and accounting data from internal and private sector databases are used as a secondary data source for the data on equity capital.

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

A business register of enterprises involved in direct investment is used to compile the inward direct investment position data. The register is maintained by the Banque de France and is updated annually using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, (iii) regional branches/offices of the Banque de France (for the outward data only), and (iv) a register maintained by government licensing and regulatory authorities (for the inward data only). 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 disseminated by the Banque de France with a timeliness of 18 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*. The data showing country breakdowns are also reported to the OECD and Eurostat. The data cover 25 countries. However, data for all countries are available on request, subject to confidentiality constraints. Bilateral data are used on occasion 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 France as at the end of 2001 (ranked in descending order) were: the Netherlands, the United Kingdom, the United States, Belgium, and Germany.

In addition to the data showing country breakdowns, annual data compiled by the Banque de France showing breakdowns for the following regions/economic zones are disseminated once a year 18 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, and (vii) the OPEC countries. However, data for all regions/economic zones are available on request, subject to confidentiality constraints. These data are also reported to the OECD and Eurostat.

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 disseminated by the Banque de France with a timeliness of 18 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*. The data showing breakdowns by industrial activity for the inward direct investment position data are also reported to the OECD and Eurostat. The data show a breakdown for 39 industrial activities. However, data for all industrial activities are 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 data are classified on the basis of the industrial activity of the resident direct investment enterprises. The five industrial activities with the largest amount of direct investment in France as at the end of 2001 (in descending order) were: (i) real estate and business activities, (ii) other business activities, (iii) business and management consultancy, (iv) management holding companies, and (v) manufacturing.

Annual data are disseminated by the Banque de France for the inward direct investment position data showing a breakdown by both industrial activity and partner country with a timeliness of 18 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*. Data showing breakdowns by industrial activity are available for all countries on request, subject to confidentiality constraints.

The five highest ranking partner countries as at the end of 2001 (ranked in descending order) for which breakdowns by industrial activity are disseminated were: the United Kingdom, Germany, Luxembourg, the United States, and the Netherlands.

In addition, annual data are disseminated by the Banque de France for the inward direct investment position data showing a breakdown by both industrial activity and region/economic zone with a timeliness of 18 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*. Data showing breakdowns by industrial activity are available for all regions/economic zones on request, 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 on direct investment reported to the IMF for publication.

B. Methodology

Definition of Direct Investment Enterprises in France

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

Treatment of Indirectly Owned Direct Investment Enterprises

The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. All positions of indirectly-owned enterprises are excluded from the direct investment data. Specifically, the data do not include (i) the relevant share of the reinvested earnings of indirectly-owned direct investment enterprises, and (ii) 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. However, studies are underway to assess the possibility of including positions of indirectly-owned enterprises beginning in 2008.

Enterprises in France 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 subordinated loans between monetary financial institutions, which are classified under equity capital rather than other capital, primarily because of confidentiality constraints.

The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. 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 other affiliated financial intermediaries and affiliated banks, and (iii) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings. Contrary to the international standards, reinvested earnings are not recorded in the period in which they are earned but in the period in which they could have been distributed instead of reinvested (that is, Year N reinvested earnings are calculated as Year N profits minus Year N-1 dividends and distributed profits paid during Year N). (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 France.)

Treatment of Other Capital

The other capital position data cover: (i) long-term loans, and (ii) short-term loans. The data do not cover (i) bonds and money market instruments, (ii) trade credits, and (iii) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include non-participating preference [preferred] shares, (ii) the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks, and (iv) the data include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as being securitized debt instruments (perpetual bonds) and unsecuritized debt instruments, with the exception of subordinated loans between monetary financial institutions, which are classified under equity capital rather than other capital, primarily because of confidentiality constraints.)

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 cannot be identified from the present data sources.

Treatment of Reverse Investment

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

Assuming that the direct investment enterprise is a resident of France 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 France and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities", rather than as "Liabilities: Direct Investment in France: Equity Capital: Claims on Direct Investors". Also contrary to the international standards, short-term loan positions are recorded as "Assets: Direct investment Abroad: Other Capital: Claims on Affiliated Enterprises", rather than as "Liabilities: Direct Investment in France: Other Capital: Claims on Direct Investors". However, there are plans to treat short-term loan positions in accordance with the international standards with effect from 2004. Long-term loan positions are recorded in accordance with the international standards as "Liabilities: Direct Investment in France: Other Capital: Claims on Direct Investors". However, these positions are not reported as such to the IMF, but instead are reported to the IMF for publication as "Liabilities: Direct Investment in France: Other Capital: Liabilities to Direct Investors". There are plans to begin to report the data on long-term loan positions, together with the data on short-term loan positions, to the IMF for publication as "Liabilities: Direct Investment in France: Other Capital: Claims on Direct Investors" with effect from 2004.

Treatment of Quasi-corporations

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

Treatment of Offshore Enterprises

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

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, activities of SPEs established in France by nonresidents are included in the direct investment data. SPEs established in France by nonresidents that have the primary purpose of financial intermediation cannot be identified from the present data sources, and therefore, contrary to the international standards, their positions with affiliated banks and affiliated financial intermediaries, except those involving equity capital and permanent debt, are 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 France by nonresident enterprises and nonresident individuals. Land and buildings owned in France by nonresident enterprises and nonresident individuals on long-term leases are not included.

Treatment of Natural Resources Exploration

In accordance with the international standards, (i) expenditure related to natural resources exploration in France by nonresidents is included in the equity capital data, and (ii) expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is included in the equity capital data when there is a clear intention to establish a direct investment enterprise. Instances of the shutdown of a direct investment enterprise established in France by nonresidents for natural resource exploration have not occurred to date.

Valuation of Assets and Liabilities

Two different sets of data are compiled for the data on equity capital, one at market values and one at book values. The data compiled on a market value basis use the market prices for the equity capital of listed enterprises, and estimates based on changes in the global financial market indices for the equity capital of unlisted enterprises. The data compiled on a book values basis use the values shown in the accounting records of the individual reporting enterprises, both incorporated and unincorporated.

The data on other capital are recorded primarily at book values which are the values shown in the accounting records of the individual direct investment enterprises. However, some are recorded at market values.

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

A new method of valuing the positions of individual direct investment enterprises at market prices is being studied for possible introduction in the future.

Exchange Rate Conversion

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

DIRECT INVESTMENT ABROAD

BALANCE OF PAYMENTS (“OUTWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable monthly data are compiled by the Banque de France within the balance of payments framework on (a) two of the three components of direct investment income: (i) income on equity (dividends and distributed branch profits), and (ii) reinvested earnings, and (b) the components of direct investment financial flows: (i) equity capital, and (ii) other capital. These data are disseminated with a timeliness of 6 weeks after the end of the reference period in *Dernière analyse mensuelle sur la balance des paiements de la France*, also available on the Banque de France website (www.banque-France.fr). The data are also reported to the IMF for publication (quarterly rather than monthly).

Separately identifiable data on income on debt (interest) are not compiled, but are instead included indistinguishably under Portfolio Investment and Other Investment in the balance of payments statistics.

Revision Practices

The data are preliminary when first released. The data are revised on a quarterly basis three months after the end of the relevant quarter to take account of updated data or corrections. The revised data are disseminated in the annual report, *Rapport annuel: la balance des paiements et la position extérieure de la France*, 7 to 9 months after the end of the year, at which time they are considered to be final, that is, up to 19 months after their first release. However, the data can be subject to further revision following the compilation of the most comprehensive outward position data, approximately 18 months after the end of the relevant calendar year.

The revised status of the data is clearly identified in the disseminated data and the general public are informed of the reasons for the revisions. The historical data are revised back for 10 years in instances of major changes in methodology or data collection systems.

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

Data Coverage

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

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

Data Collection Method

The data are collected using a mixture of an individual transactions basis and an aggregate basis—the data for most components are collected on an individual transactions basis, while the data on reinvested earnings are collected on an aggregate basis. The reporting requirements are compulsory.

Data Sources

The data for all components, except reinvested earnings, are compiled primarily from an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, and cash transactions made through the foreign bank accounts of enterprises, but not noncash transactions. Press reports and data from a private sector database on mergers and acquisitions are used as secondary data sources for estimations of missing data on equity capital. Information from investment approval authorities on investments actually made abroad are used for cross-checking the data, and bilateral data are also used on occasion for this purpose. The data on reinvested earnings are compiled from an annual enterprise

survey of outward position data, with estimates of the monthly transactions derived by dividing the latest available annual data into 12 equal parts.

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

A business register of enterprises involved in direct investment is used to compile the outward direct investment transactions data. The register is maintained by the Banque de France and is updated annually using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, (iii) regional branches/offices of the Banque de France (for the outward data only), and (iv) a register maintained by government licensing and regulatory authorities (for the inward data only). 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

Monthly data showing breakdowns by country for the direct investment income data and the direct investment financial flows data compiled by the Banque de France are disseminated once a year with a timeliness of 7 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*. (Prior to 2003 quarterly data were disseminated with a timeliness of 3 months after the end of the reference period. These data are no longer disseminated, but are available on request.) 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 20 countries. However, data for all countries are available on request, subject to confidentiality constraints. Bilateral data are used on occasion 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 France during 2002 (ranked in descending order) were: the Netherlands, the United Kingdom, the United States, Belgium, and Germany. The five countries with the largest amount of direct investment financial flows from France during 2002 (ranked in descending order) were: the United States, the United Kingdom, Belgium, Germany, and the Netherlands.

In addition to the data showing country breakdowns, annual data compiled by the Banque de France showing breakdowns of both the direct investment income and direct investment financial flows for the following regions/economic zones are disseminated once a year with a timeliness of 7 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, and (vii) the OPEC countries. However, data for all regions/economic zones are available on request, subject to confidentiality constraints. These data are also reported to the OECD and Eurostat.

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

Monthly data showing breakdowns by industrial activity for the direct investment financial flows data compiled by the Banque de France are disseminated once a year with a timeliness of 7 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*. (Prior to 2003 quarterly data were disseminated with a timeliness of 3 months after the end of the reference period. These data are no longer disseminated, but are available on request.) The data showing breakdowns by industrial activity for the direct investment financial flows data are also reported to the OECD and Eurostat. The data show a breakdown for 39 industrial activities. However, data for all industrial activities are 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). Data showing breakdowns by industrial activity for the direct investment income data are not compiled.

The data are classified on the basis of the industrial activity of the resident direct investors. The five industrial activities with the largest amount of direct investment financial flows from France during 2002 (in descending

order) were: (i) real estate and business activities, (ii) other business activities, (iii) business and management consultancy, (iv) management holding companies, and (v) financial intermediation.

Monthly data are compiled by the Banque de France for the direct investment financial flows data showing a breakdown by both industrial activity and main partner country. The data are disseminated once a year with a timeliness of 7 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*. Data showing breakdowns by industrial activity are available for all countries on request, subject to confidentiality constraints. The five highest ranking partner countries during 2002 (ranked in descending order) for which breakdowns by industrial activity are disseminated were: the United States, the United Kingdom, Belgium, Germany, and the Netherlands.

In addition, monthly data are compiled by the Banque de France for the direct investment financial flows data showing a breakdown by both industrial activity and region/economic zone. The data are disseminated once a year with a timeliness of 7 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*. Data showing breakdowns by industrial activity are available for all regions/economic zones on request, 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 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 not applied. All transactions of indirectly-owned enterprises are excluded from the direct investment data. Specifically, (i) the direct investment earnings data do not include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include the 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. However, studies are underway to assess the possibility of including transactions of indirectly-owned enterprises beginning in 2008.

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

Measurement of Direct Investment Earnings

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

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

The data on dividends and distributed branch profits cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, dividends and distributed branch profits are recorded (i) net, rather than gross, of any withholding taxes, and (ii) on the date they are paid, rather than the date they are declared payable. In accordance with the international standards, (i) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (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.

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 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, (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (iii) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings. Contrary to the international standards, reinvested earnings and undistributed branch profits are not recorded in the period in which they are earned but in the period in which they could have been distributed instead of reinvested (that is, Year N reinvested earnings are calculated as Year N profits minus Year N-1 dividends and distributed profits paid during Year N).

Treatment of Income on Debt (Interest)

Not applicable. Separately identifiable data on income on debt (interest) are not compiled.

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 subordinated loans between monetary financial institutions, which are classified under equity capital rather than other capital, primarily because of confidentiality constraints.

Treatment of Other Capital

The other capital transactions data cover: (i) long-term loans, and (ii) short-term loans. The data do not cover (i) bonds and money market instruments, (ii) trade credits, and (iii) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include non-participating preference [preferred] shares, (ii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks, and (iv) the data include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as being securitized debt instruments (perpetual bonds) and unsecuritized debt instruments, with the exception of subordinated loans between monetary financial institutions, which are classified under equity capital rather than other capital, primarily because of confidentiality constraints.)

Instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise cannot be identified from the present data sources.

Treatment of Reverse Investment

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

Assuming that the direct investment enterprise is a resident of France 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 France and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity transactions are recorded as "Portfolio Investment: Increase in Assets: Equity Securities", rather than as "Direct Investment in France: Equity Capital: Increase in Claims on Direct Investors". Also contrary to the international standards, short-term loan transactions are recorded as "Direct investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises", rather than as "Direct Investment in France: Other Capital: Increase in Claims on Direct Investors". However, there are plans to treat short-term loan transactions in accordance with the international standards with effect from 2004. Long-term loan transactions are recorded in accordance with the international standards as "Direct Investment in France: Other Capital: Increase in Claims on Direct Investors". However, these transactions are not reported as such to the IMF, but instead are reported to the IMF for publication as "Direct Investment in France: Other Capital: Decrease in Liabilities to Direct Investors". There are plans to begin to report the data on long-term loan transactions, together with the data on short-term loan transactions, to the IMF for publication as "Direct Investment in France: Other Capital: Increase in Claims on Direct Investors" with effect from 2004.

Treatment of Quasi-corporations

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

Treatment of Offshore Enterprises

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

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, activities of SPEs established abroad by residents of France are included in the direct investment data. SPEs established abroad by residents of France that have the primary purpose of financial intermediation cannot be identified from the present data sources, and therefore, contrary to the international standards, their transactions with affiliated banks and affiliated financial intermediaries, except those involving equity capital and permanent debt, are 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 France. Land and buildings purchased abroad by enterprises and individuals resident in France on long-term leases are not included.

Treatment of Natural Resources Exploration

In accordance with the international standards, (i) expenditure related to natural resources exploration abroad by residents of France is included in the equity capital data, and (ii) expenditure on bonus payments made by residents of France to the host country for the right to undertake exploration for natural resources is included in

the equity capital data when there is a clear intention to establish a direct investment enterprise. Instances of the shutdown of a direct investment enterprise established abroad by residents of France for natural resource exploration have not occurred to date.

Exchange Rate Conversion

All transactions except reinvested earnings are converted to the unit of account at the average exchange rate for the period. Reinvested earnings are converted to the unit account at the exchange rate prevailing at the end of the period for which the data are recorded.

DIRECT INVESTMENT ABROAD

INTERNATIONAL INVESTMENT POSITION ASSETS (“OUTWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable annual (calendar year) data (the most timely) are compiled by the Banque de France 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 6 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*. The data are also reported to the IMF for publication, as well as to the OECD and Eurostat.

More comprehensive annual (calendar year) data are compiled by the Banque de France 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 18 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*. The data are also reported to the IMF for publication, as well as to the OECD and Eurostat.

Revision Practices

The most timely data are preliminary when first released. The data are revised once when the more comprehensive data that are based on the annual survey are available (that is, 12 months after their first release), and then again one year later when the more comprehensive data for N+1 are available, at which time they become final, that is, 24 months after their first release.

The revised status of the data is clearly identified in the disseminated data and the general public are informed of the reasons for the revisions. The historical data are revised back for 10 years in instances of major changes in methodology or data collection systems.

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

Data Coverage

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

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

Data Collection Method

The data are collected using a mixture of an individual transactions basis and an aggregate basis—the most timely data are collected primarily on an individual transactions basis, while the most comprehensive data are collected on an aggregate basis. The reporting requirements are compulsory.

Data Sources

The most timely data for all components are compiled from the position data for the latest available prior year, plus (i) an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, and cash transactions made through the foreign bank accounts of enterprises, but not noncash transactions, for the reference year data for the equity capital and other capital components, and (ii) the annual enterprise survey for the latest available year for the reference year estimates of reinvested earnings. The perpetual inventory method (a method for deriving position data from transactions data) is used to compile the most timely data for the reference year, which are based on the transactions data for that year with adjustments for price changes, and exchange rate changes, but not for other nontransaction changes.

The most comprehensive data for all components are compiled primarily from an annual enterprise survey of resident enterprises. Company accounts of nonresident direct investment enterprises are used as a secondary data source for the data on reinvested earnings, and accounting data from internal and private sector databases are used as a secondary data source for the data on equity capital.

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

A business register of enterprises involved in direct investment is used to compile the outward direct investment position data. The register is maintained by the Banque de France and is updated annually using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, (iii) regional branches/offices of the Banque de France (for the outward data only), and (iv) a register maintained by government licensing and regulatory authorities (for the inward data only). 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 disseminated by the Banque de France with a timeliness of 18 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*. The data showing country breakdowns are also reported to the OECD and Eurostat. The data cover 20 countries. However, data for all countries are available on request, subject to confidentiality constraints. Bilateral data are used on occasion 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 France as at the end of 2001 (ranked in descending order) were: the United States, Belgium, the United Kingdom, the Netherlands, and Canada.

In addition to the data showing country breakdowns, annual data are disseminated by the Banque de France showing breakdowns for the following regions/economic zones once a year with a timeliness of 18 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, and (vii) the OPEC countries. However, data for all regions/economic zones are available on request, subject to confidentiality constraints. These data are also reported to the OECD and Eurostat.

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 disseminated by the Banque de France with a timeliness of 18 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*. The data showing breakdowns by industrial activity for the outward direct investment position data are also reported to the OECD and Eurostat. The data show a breakdown for 39 industrial activities. However, data for all industrial activities are 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 data are classified on the basis of the industrial activity of the resident direct investors. The five industrial activities with the largest amount of direct investment from France as at the end of 2001 (in descending order) were: (i) real estate and business activities, (ii) other business activities, (iii) business and management consultancy, (iv) management holding companies, and (v) manufacturing.

Annual data are disseminated by the Banque de France for the outward direct investment position data showing a breakdown by both industrial activity and partner country with a timeliness of 18 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*. Data showing breakdowns by industrial activity are available for all countries on request, subject to confidentiality constraints. The five highest ranking partner countries as at the end of 2001 (ranked in descending order) for which

breakdowns by industrial activity are disseminated were: the United States, Belgium, the United Kingdom, the Netherlands, and Canada.

In addition, annual data are disseminated by the Banque de France for the outward direct investment position data showing a breakdown by both industrial activity and region/economic zone with a timeliness of 18 months after the end of the reference year in *Rapport annuel: la balance des paiements et la position extérieure de la France*. Data showing breakdowns by industrial activity are available for all regions/economic zones on request, 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 and Eurostat, and the aggregate outward position data on direct investment 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 not applied. All positions of indirectly-owned enterprises are excluded from the direct investment data. Specifically, the data do not include (i) the relevant share of the reinvested earnings of indirectly-owned direct investment enterprises, and (ii) 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. However, studies are underway to assess the possibility of including positions of indirectly-owned enterprises beginning in 2008.

Enterprises in France 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 subordinated loans between monetary financial institutions, which are classified under equity capital rather than other capital, primarily because of confidentiality constraints.

The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. 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 other affiliated financial intermediaries and affiliated banks, and (iii) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings. Contrary to the international standards, reinvested earnings are not recorded in the period in which they are earned but in the period in which they could have been distributed instead of reinvested (that is, Year N reinvested earnings are calculated as Year N profits minus Year N-1 dividends and distributed profits paid during Year N). (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, and (ii) short-term loans. The data do not cover (i) bonds and money market instruments, (ii) trade credits, and (iii) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include non-participating preference [preferred] shares, (ii) the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks, and (iv) the data include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as being securitized debt instruments (perpetual bonds) and unsecuritized debt instruments, with the exception of subordinated loans between monetary financial institutions, which are classified under equity capital rather than other capital, primarily because of confidentiality constraints.)

Instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise cannot be identified from the present data sources.

Treatment of Reverse Investment

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

Assuming that the direct investment enterprise is a resident of France 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 France and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities", rather than as "Liabilities: Direct Investment in France: Equity Capital: Claims on Direct Investors". Also contrary to the international standards, short-term loan positions are recorded as "Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises", rather than as "Liabilities: Direct Investment in France: Other Capital: Claims on Direct Investors". However, there are plans to treat short-term loan positions in accordance with the international standards with effect from 2004. Long-term loan positions are recorded in accordance with the international standards as "Liabilities: Direct Investment in France: Other Capital: Claims on Direct Investors". However, these positions are not reported as such to the IMF, but instead are reported to the IMF for publication as "Liabilities: Direct Investment in France: Other Capital: Liabilities to Direct Investors". There are plans to begin to report the data on long-term loan positions, together with the data on short-term loan positions, to the IMF for publication as "Liabilities: Direct Investment in France: Other Capital: Claims on Direct Investors" with effect from 2004.

Treatment of Quasi-corporations

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

Treatment of Offshore Enterprises

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

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, activities of SPEs established abroad by residents of France are included in the direct investment data. SPEs established abroad by residents of France that have the primary purpose of financial intermediation cannot be identified from the present data sources, and therefore, contrary to the international standards, their positions with affiliated banks and affiliated financial intermediaries, except those involving equity capital and permanent debt, are 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 France. Land and buildings owned abroad by enterprises and individuals resident in France on long-term leases are not included.

Treatment of Natural Resources Exploration

In accordance with the international standards, (i) expenditure related to natural resources exploration abroad by residents of France is included in the equity capital data, and (ii) expenditure on bonus payments made by residents of France to the host country for the right to undertake exploration for natural resources is included in the equity capital data when there is a clear intention to establish a direct investment enterprise. Instances of the shutdown of a direct investment enterprise established abroad by residents of France for natural resource exploration have not occurred to date.

Valuation of Assets and Liabilities

Two different sets of data are compiled for the data on equity capital, one at market values and one at book values. The data compiled on a market value basis use the market prices for the equity capital of listed enterprises, and estimates based on changes in the global financial market indices for the equity capital of unlisted enterprises. The data compiled on a book values basis use the values shown in the accounting records of the individual reporting enterprises, both incorporated and unincorporated.

The data on other capital are recorded primarily at book values which are the values shown in the accounting records of the individual direct investment enterprises. However, some are recorded at market values.

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

A new method of valuing the positions of individual direct investment enterprises at market prices is being studied for possible introduction in the future.

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.