

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.

## **Netherlands:**

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

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#### **Direct Investment in the Netherlands**

- **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 THE NETHERLANDS**  
**BALANCE OF PAYMENTS (“INWARD TRANSACTIONS”) DATA**

**A. Compilation Practices and Data Sources**

**Data Availability**

Separately identifiable monthly data are compiled by De Nederlandsche Bank (DNB) 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 as quarterly data with a timeliness of 3 months after the end of the reference period in DNB's *Statistical Bulletin* and on the DNB website <http://www.statistics.dnb.nl>. The quarterly data are also reported to the IMF for publication. (Annual data are reported annually to the OECD and Eurostat with a timeliness of 6 months after the end of the reference year.)

**Revision Practices**

The data are preliminary when first released. The data for the previous six months are revised each quarter to take account of late reporters and new information. In addition, in September of each year, the transactions data for the previous three years are revised. The revised data are disseminated quarterly together with the preliminary data for the latest quarter. The data are considered to be final up to 39 months after their first release.

The general public are informed of the reasons for major revisions only. The revised status of the data is clearly identified in the disseminated data in instances of major revisions only. The historical data may be revised back a maximum of three years in instances of major changes in methodology, but not in instances of major changes in 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 the OECD and Eurostat.

**Data Coverage**

No major sectors of the economy are excluded from the aggregate data. However, the data exclude the Special Financial Institutions (SFIs) element of the financial sector. There are plans to begin to include SFIs in the data reported to the OECD and Eurostat with effect from September 2004, but not in the data disseminated in the national publications and reported to the IMF for publication.

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 at present. However, there will be differences after September 2004.

**Data Collection Method**

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

**Data Sources**

The data for all components, except reinvested earnings, are compiled from monthly enterprise surveys of resident enterprises. (Prior to April 2003, an international transactions reporting system (ITRS) was the primary data source for the compilation of the data.) The preliminary data on reinvested earnings are estimates based on data for a maximum of the previous three years obtained from annual enterprise survey. The final data on reinvested earnings are compiled from an annual enterprise survey.

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

A business register of enterprises involved in direct investment is used to compile the inward direct investment transactions data. The register is maintained by DNB and is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) a register maintained by industry associations, (iii) the financial press, (iv) issuance statistics, and (v) information provided by the reporting enterprises. 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**

Quarterly data showing breakdowns by country are compiled by DNB for the direct investment financial flows data and disseminated with a timeliness of 3 months after the end of the reference period in the DNB's *Statistical Bulletin* and on the DNB website <http://www.statistics.dnb.nl>. Quarterly data showing breakdowns by country are compiled by DNB for the direct investment income data. The data are not disseminated, but are available on request. The data showing country breakdowns for both the direct investment income data and the direct investment financial flows data are also reported to OECD and Eurostat on an annual basis. The data cover 37 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 the Netherlands during 2002 (ranked in descending order) were: Switzerland, the United States, Ireland, Denmark, and Belgium. The five countries with the largest amount of direct investment financial flows into the Netherlands during 2002 (ranked in descending order) were: the United States, Germany, Luxembourg, the United Kingdom, and Belgium.

In addition to the data showing country breakdowns, quarterly data are compiled by DNB showing breakdowns of direct investment financial flows data for the following regions/economic zones and disseminated quarterly with a timeliness of 15 weeks after the end of the reference period in the DNB's *Statistical Bulletin* and on the DNB website <http://www.statistics.dnb.nl>: (i) the EU15, (ii) the Euro area, (iii) Eastern Europe, (iv) Southeast Asia, (v) Latin America, (vi) Africa, and (vii) Oceania. These data are also reported to the OECD and Eurostat.

Quarterly data showing breakdowns of the direct investment income data by regions/economic zones are available on request and are compiled by DNB for the specific regions/economic zones requested by the individual users.

There are no differences at present in the data coverage, sources, etc. between the inward transactions data showing geographic breakdowns disseminated in the national publications and reported to the OECD and Eurostat, and the aggregate inward data on direct investment income and direct investment financial flows reported to the IMF for publication. However, with effect from September 2004 there will be differences, in that the data reported to the OECD and Eurostat will include the activities of the SFIs which will continue to be excluded from the data disseminated in the national publications and reported to the IMF for publication.

### **Industrial Classification**

Monthly data showing breakdowns by industrial activity for both the direct investment income data and the direct investment financial flows data are compiled by DNB. These data are not disseminated, but are available on request. The data are also reported to the OECD and Eurostat on an annual basis. The data show a breakdown for 16 industrial activities. 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. The five industrial activities with the largest amount of direct investment income from investment in the Netherlands during 2002 (ranked in descending order) were: (i) manufacture of food products, beverages, and tobacco, (ii) property insurance, (iii) manufacture of coke, refined petroleum products, and nuclear fuel, (iv) financial intermediation, and (v) retail trade and repair services of personal and household goods. The five industrial activities with the largest amount of direct investment financial flows into the Netherlands during 2002 (in descending order) were: (i) other financial institutions, including brokering and pension funding, (ii) development and sales of real estate, (iii) manufacture of chemicals and chemical products, (iv) manufacture of food products, beverages, and tobacco, and (v) manufacture of radio, television, and communication equipment and apparatus.

Monthly data are compiled by DNB 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. The data are also reported to the OECD and Eurostat on an annual basis. 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: Switzerland, the United States, Ireland, Denmark, and Belgium. 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: the United States, Germany, Luxembourg, the United Kingdom, and Belgium.

In addition, monthly data are compiled by DNB 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. These data are not disseminated, but are available on request.

There are no differences at present 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. However, with effect from September 2004 there will be differences, in that the data reported to the OECD and Eurostat will include the activities of the SFIs which will continue to be excluded from the data disseminated in the national publications and reported to the IMF for publication.

## **B. Methodology**

### **Definition of Direct Investment Enterprises in the Netherlands**

In accordance with the international standards, the basic criterion for defining direct investment enterprises in the Netherlands is 10 percent ownership by a nonresident investor. 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. Contrary to the international standards, (i) enterprises in which the nonresident direct investor owns 10 percent or more but does not have an effective voice in management are not included, and (ii) enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management, as evidenced by participation in policy making and a lasting interest, are included. No value threshold is used to identify resident direct investment enterprises. (Prior to April 2003 a value threshold was used in that only enterprises with transactions through the ITRS of 0.5 million Euros or more were included.) Unincorporated enterprises are not treated differently from incorporated enterprises.

### **Treatment of Indirectly Owned Direct Investment Enterprises**

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

Enterprises in the Netherlands are required by law to produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic. However, companies are exempted from the requirement to produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, when their accounts are included in the published annual accounts of their parent or group disseminated within the European Union. Enterprises in the Netherlands are required by law to identify all transactions with the parent company.

### **Measurement of Direct Investment Earnings**

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

receivable/payable is included, and (iv) debt repayments receivable/payable are excluded. (Prior to April 2003, some enterprises included realized capital losses in their earnings data.)

#### **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. (Prior to April 2003, dividends and distributed branch profits were recorded net of withholding taxes.) Contrary to the international standards, most dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are paid, rather than on the date they are declared payable. However, some dividends and distributed branch profits are recorded on date they are payable.

#### **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) trade credits with a maturity of more than one year, and (iv) financial leases. The data do not cover (i) trade credits with a maturity of less than one year, and (ii) bonds and money market instruments. In accordance with the international standards, the data do not include (i) interest on financial derivatives, and (ii) interest on deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. In accordance with the international standards, (i) 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 (ii) most of the data are recorded on an accrual basis. Contrary to the international standards, (i) some of the data on income on debt (interest) are compiled on a paid basis, rather than an accrual basis, and (ii) the data do not 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 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, non-participating preference [preferred] shares are classified under equity capital, rather than under other capital.

#### **Treatment of Other Capital**

The other capital transactions data cover: (i) long-term loans, (ii) short-term loans, (iii) trade credits with a maturity of more than one year, and (iv) financial leases. The data do not cover: (i) trade credits with a maturity

of less than one year, and (ii) bonds and money market instruments. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) the data do not include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, and (ii) the data do not include all transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises. (Only those transactions between nonfinancial direct investment enterprises and those affiliated special financial institutions (SFIs) that are not related to a monetary financial institution are included.) Prior to April 2003 the data did include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. Contrary to the international standards, the data do not include non-participating preference [preferred] shares, which are instead classified under equity capital.

The treatment of 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 varies depending on the treatment in the accounting records of the individual reporting enterprises, and will be recorded in one of the following four ways: (i) the entire amount of the loan/debt outstanding is treated as direct investment lending by the guarantor and recorded under "Direct Investment in the Netherlands: Other Capital: Increase in Liabilities to Direct Investors" at the time the guarantee is invoked, or (ii) the periodic payments of principal and interest made by the guarantor are treated as direct investment lending and recorded under "Direct Investment in the Netherlands: Other Capital: Increase in Liabilities to Direct Investors" at the time the periodic payments are made, or (iii) the entire amount of the loan/debt outstanding is treated as a direct investment equity injection by the guarantor and recorded under "Direct Investment in the Netherlands: Equity Capital: Increase in Liabilities to Direct Investors" at the time the guarantee is invoked, or (iv) the periodic payments of principal and interest are treated as direct investment equity injections by the guarantor and recorded under "Direct Investment in the Netherlands: Equity Capital: Increase in Liabilities to Direct Investors" at the time the periodic payments are made.

#### **Treatment of Reverse Investment**

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

Assuming that the direct investment enterprise is a resident of the Netherlands 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". (Prior to 2003, contrary to the international standards, equity transactions were recorded as "Direct Investment in the Netherlands: Equity Capital: Decreases in Liabilities to Direct Investors".)

Assuming that the direct investment enterprise is a resident of the Netherlands 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 the Netherlands: Equity Capital: Increase in Claims on Direct Investors" and loan transactions are recorded as "Direct Investment in the Netherlands: Other Capital: Increase in Claims on Direct Investors". However, data showing claims on direct investors are not reported to the IMF at present, although there are plans to be so in the future. (Prior to 2003, contrary to the international standards, equity transactions were recorded as "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises" and loan transactions were recorded as "Direct Investment in the Netherlands: Other Capital: Decrease in Liabilities to 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 the Netherlands 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 the Netherlands by nonresidents at present.

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

In accordance with the international standards, activities of SPEs established in the Netherlands by nonresidents are included in the direct investment data. Contrary to the international standards, in the case of all SPEs established in the Netherlands by nonresidents (that is, both those that have the primary purpose of financial intermediation, and all other SPEs), transactions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt. (The international standards require that the data exclude only the transactions with affiliated banks and affiliated financial intermediaries—other than those involving equity capital and permanent debt—of those SPEs established in the Netherlands by nonresidents that have the primary purpose of financial intermediation, not all SPEs.)

### **Treatment of Land and Buildings**

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

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

In accordance with the international standards, expenditure related to natural resources exploration in the Netherlands by nonresidents is included in the equity capital data. However, the data cover only exploration undertaken by subsidiaries or local branches, because of difficulties in obtaining data from the nonresident partners in joint ventures that do not have a subsidiary or branch resident in the Netherlands. Contrary to the international standards, expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, as this information is not available from the present data sources. In accordance with the international standards, in instances of the shutdown of a direct investment enterprise established in the Netherlands 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. The data for reinvested earnings are converted at the average exchange rate for the period.

## DIRECT INVESTMENT IN THE NETHERLANDS

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

#### A. Compilation Practices and Data Sources

##### Data Availability

Separately identifiable annual (calendar year) data are compiled by De Nederlandsche Bank (DNB) 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 the DNB's *Statistical Bulletin* and on the DNB website <http://www.statistics.dnb.nl>. The data are reported to the IMF for publication with a timeliness of 6 months after the end of the reference year. The data are also reported to the OECD and Eurostat with a timeliness of 18 months after the end of the reference year.

There are plans to begin to compile and disseminate quarterly data with a timeliness of 3 months after the end of the reference quarter, beginning with the data for Q3 2003 to Q4 2004, due to be released in January 2005.

##### Revision Practices

The data are preliminary when first released. The data for the previous two years are revised each year to take account of late reporters and new information. The revised data are disseminated annually together with the preliminary data for the latest year. At this time the data are considered to be final, that is, up to 24 months after their first release.

The revised status of the data is clearly identified in the disseminated data in instances of major revisions only and the general public are informed of the reasons for major revisions only. The historical data may be revised back a maximum of three years in instances of major changes in methodology, but not in instances of major changes in 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 the OECD and Eurostat.

Once the data begin to be disseminated quarterly in January 2005, it is planned that the data will be revised quarterly for the previous three quarters and disseminated together with the preliminary data for the latest quarter.

##### Data Coverage

No major sectors of the economy are excluded from the aggregate data. However, the data exclude the Special Financial Institutions (SFIs) element of the financial sector. There are plans to begin to include SFIs in the data reported to the OECD and Eurostat with effect from September 2004, but not in the data disseminated in the national publications and reported to the IMF for publication. (Prior to April 2003 the data did not include unincorporated enterprises.)

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 at present. However, there will be differences after September 2004.

##### Data Collection Method

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

##### Data Sources

The data for equity capital and reinvested earnings are compiled from annual enterprise surveys of resident enterprises. A monthly enterprise survey is used to compile the data on other capital and is also used for cross-checking the equity capital data. The perpetual inventory method (a method for deriving position data from



transactions data) is not used. (Prior to April 2003 the perpetual inventory method was used to compile the data on other capital.)

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

A business register of enterprises involved in direct investment is used to compile the inward direct investment position data. The register is maintained by DNB and is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) a register maintained by industry associations, (iii) the financial press, (iv) issuance statistics, and (v) information provided by the reporting enterprises. 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 DNB and disseminated with a timeliness of 9 months after the end of the reference period in the DNB's *Statistical Bulletin* and on the DNB website <http://www.statistics.dnb.nl>. The data showing country breakdowns for the inward direct investment position data are also reported to OECD and Eurostat. The data cover 37 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 the Netherlands as at the end of 2002 (ranked in descending order) were: the United States, Belgium/Luxembourg, the United Kingdom, Germany, and France.

In addition to the data showing country breakdowns, annual data are compiled by DNB showing breakdowns of the inward direct investment position data for the following regions/economic zones and are disseminated annually with a timeliness of 6 months after the end of the reference period in the DNB's *Statistical Bulletin* and on the DNB website <http://www.statistics.dnb.nl>: (i) the EU15, (ii) the Euro area, (iii) Eastern Europe, (iv) Southeast Asia, (v) Latin America, (vi) Africa, and (vii) Oceania. These data are also reported to the OECD and Eurostat.

There are no differences at present 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. However, with effect from September 2004 there will be differences, in that the data reported to the OECD and Eurostat will include the activities of the SFIs which will continue to be excluded from the data disseminated in the national publications and 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 DNB and disseminated with a timeliness of 9 months after the end of the reference year in the DNB's *Statistical Bulletin* and on the DNB website <http://www.statistics.dnb.nl>. The data showing country breakdowns for the inward direct investment position data are also reported to OECD and Eurostat. The data show a breakdown for 16 industrial activities. 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. The five industrial activities with the largest amount of direct investment into the Netherlands as at the end of 2002 (ranked in descending order) were: (i) other financial institutions including brokering and pension funding, (ii) retail trade and repair services of personal and household goods, (iii) manufacture of chemicals and chemical products, (iv) development and sales of real estate, and (v) manufacture of food products, beverages, and tobacco.

Annual data are compiled by DNB for the inward direct investment position data showing a breakdown by both industrial activity and main partner country and are disseminated annually with a timeliness of 6 months after the end of the reference period in the DNB's *Statistical Bulletin* and on the DNB website <http://www.statistics.dnb.nl>. These data are also reported to the OECD and Eurostat. 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: the United States, Belgium/Luxembourg, the United Kingdom, Germany, and France.

In addition, annual data are compiled by DNB for the inward direct investment position data showing a breakdown by both industrial activity and region/economic zone and are disseminated annually with a timeliness of 6 months after the end of the reference period in the DNB's *Statistical Bulletin* and on the DNB website <http://www.statistics.dnb.nl>. These data are also reported to the OECD and Eurostat.

There are no differences at present 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. However, with effect from September 2004 there will be differences, in that the data reported to the OECD and Eurostat will include the activities of the SFIs which will continue to be excluded from the data disseminated in the national publications and reported to the IMF for publication.

## **B. Methodology**

### **Definition of Direct Investment Enterprises in the Netherlands**

In accordance with the international standards, the basic criterion for defining direct investment enterprises in the Netherlands is 10 percent ownership by a nonresident investor. 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. Contrary to the international standards, (i) enterprises in which the nonresident direct investor owns 10 percent or more but does not have an effective voice in management are not included, and (ii) enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management, as evidenced by participation in policy making and a lasting interest, are included. No value threshold is used to identify resident direct investment enterprises. (Prior to April 2003 a value threshold was used in that only enterprises with transactions through the ITRS of 0.5 million Euros or more were included.) Unincorporated enterprises are not treated differently from incorporated enterprises. (Prior to April 2003 the data excluded unincorporated enterprises.)

### **Treatment of Indirectly Owned Direct Investment Enterprises**

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

Enterprises in the Netherlands are required by law to produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic. However, companies are exempted from the requirement to produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, when their accounts are included in the published annual accounts of their parent or group disseminated within the European Union. Enterprises in the Netherlands are required by law to 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, non-participating preference [preferred] shares are classified under equity capital, rather than under other capital.

The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) reinvested earnings are recorded in the period in which they are earned, (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 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 the Netherlands.)

### **Treatment of Other Capital**

The other capital position data cover: (i) long-term loans, (ii) short-term loans, (iii) trade credits with a maturity of one year or more, and (iv) financial leases. (Prior to April 2003, the data did not cover financial leases.) The data do not include (i) trade credits with a maturity of less than one year, and (ii) bonds and money market instruments. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. Contrary to the international standards, (i) the data do not include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and only those positions between nonfinancial direct investment enterprises and those affiliated special financial institutions (SFIs) that are not related to a monetary financial institution are included, and (ii) the data do not include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Prior to April 2003 the data did include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries.) In accordance with the international standards, 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 do not include non-participating preference [preferred] shares, which are instead classified under equity capital.

The treatment of 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 varies depending on the treatment in the accounting records of the individual reporting enterprises, and will be recorded in one of the following four ways: (i) the entire amount of the loan/debt outstanding is treated as direct investment lending by the guarantor and recorded under "Liabilities: Direct Investment in the Netherlands: Other Capital: Liabilities to Direct Investors" at the time the guarantee is invoked, or (ii) the periodic payments of principal and interest made by the guarantor are treated as direct investment lending and recorded under "Liabilities: Direct Investment in the Netherlands: Other Capital: Liabilities to Direct Investors" at the time the periodic payments are made, or (iii) the entire amount of the loan/debt outstanding is treated as a direct investment equity injection by the guarantor and recorded under "Liabilities: Direct Investment in the Netherlands: Equity Capital: Liabilities to Direct Investors" at the time the guarantee is invoked, or (iv) the periodic payments of principal and interest are treated as direct investment equity injections by the guarantor and recorded under "Liabilities: Direct Investment in the Netherlands: Equity Capital: Liabilities to Direct Investors" at the time the periodic payments are made.

### **Treatment of Reverse Investment**

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

Assuming that the direct investment enterprise is a resident of the Netherlands 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". (Prior to 2003, contrary to the international standards, equity positions were recorded as "Liabilities: Direct Investment in the Netherlands: Equity Capital: Liabilities to Direct Investors".)

Assuming that the direct investment enterprise is a resident of the Netherlands 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 the Netherlands: Equity Capital: Claims on Direct Investors” and loan positions are recorded “Liabilities: Direct Investment in the Netherlands: Other Capital: Claims on Direct Investors”. However, data showing claims on direct investors are not reported to the IMF at present, although there are plans to be so in the future. (Prior to 2003, contrary to the international standards, equity positions were recorded as “Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises” and loan positions were recorded as “Liabilities: Direct Investment in the Netherlands: Other Capital: Liabilities to 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 the Netherlands 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 the Netherlands by nonresidents at present.

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

In accordance with the international standards, activities of SPEs established in the Netherlands by nonresidents are included in the direct investment data. Contrary to the international standards, in the case of all SPEs established in the Netherlands by nonresidents (that is, both those that have the primary purpose of financial intermediation, and all other SPEs), positions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt. (The international standards require that the data exclude only the positions with affiliated banks and affiliated financial intermediaries—other than those involving equity capital and permanent debt—of those SPEs established in the Netherlands by nonresidents that have the primary purpose of financial intermediation, not all SPEs.)

#### **Treatment of Land and Buildings**

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

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

In accordance with the international standards, expenditure related to natural resources exploration in the Netherlands by nonresidents is included in the equity capital data. However, the data cover only exploration undertaken by subsidiaries or local branches, because of difficulties in obtaining data from the nonresident partners in joint ventures that do not have a subsidiary or branch resident in the Netherlands. Contrary to the international standards, expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, as this information is not available from the present data sources. In accordance with the international standards, in instances of the shutdown of a direct investment enterprise established in the Netherlands by nonresidents for natural resource exploration, an adjustment to reflect that shutdown is made to the liabilities data on direct investment equity capital in the international investment position statistics. However, these adjustments are only made if the exploration has been undertaken through a subsidiary or a local branch.

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

The data on equity capital for listed enterprises are recorded at market values. The data on equity capital for unlisted enterprises are recorded at book values, which are primarily the net asset values or, in a small number of cases, the historical costs.

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

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

**Exchange Rate Conversion**

All positions are converted to the unit of account at the exchange rate prevailing on the date the stocks were acquired.

## DIRECT INVESTMENT ABROAD

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

#### A. Compilation Practices and Data Sources

##### Data Availability

Separately identifiable monthly data are compiled by De Nederlandsche Bank (DNB) 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 as quarterly data with a timeliness of 3 months after the end of the reference period in the DNB's *Statistical Bulletin* and on the DNB website <http://www.statistics.dnb.nl>. The quarterly data are also reported to the IMF for publication. (Annual data are reported annually to the OECD and Eurostat with a timeliness of 6 months after the end of the reference year.)

##### Revision Practices

The data are preliminary when first released. The data for the previous six months are revised each quarter to take account of late reporters and new information. In addition, in September of each year, the transactions data for the previous three years are revised. The revised data are disseminated quarterly together with the preliminary data for the latest quarter. The data are considered to be final up to 39 months after their first release.

The general public are informed of the reasons for major revisions only. The revised status of the data is clearly identified in the disseminated data in instances of major revisions only. The historical data may be revised back a maximum of three years in instances of major changes in methodology, but not in instances of major changes in 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 the OECD and Eurostat.

##### Data Coverage

No major sectors of the economy are excluded from the aggregate data. However, the data exclude the Special Financial Institutions (SFIs) element of the financial sector. There are plans to begin to include SFIs in the data reported to the OECD and Eurostat with effect from September 2004, but not in the data disseminated in the national publications and reported to the IMF for publication.

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 at present. However, there will be differences after September 2004.

##### Data Collection Method

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

##### Data Sources

The data for all components, except reinvested earnings, are compiled from monthly enterprise surveys of resident enterprises. (Prior to April 2003, an international transactions reporting system (ITRS) was the primary data source for the compilation of the data.) The preliminary data on reinvested earnings are estimates based on data for a maximum of the previous three years obtained from annual enterprise survey. The final data on reinvested earnings are compiled from an annual enterprise survey.

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

A business register of enterprises involved in direct investment is used to compile the outward direct investment transactions data. The register is maintained by DNB and is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) a register maintained by industry associations, (iii) the financial press, (iv) issuance statistics, and (v) information provided by the reporting enterprises. 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**

Quarterly data showing breakdowns by country are compiled by DNB for the direct investment financial flows data and disseminated with a timeliness of 3 months after the end of the reference period in the DNB's *Statistical Bulletin* and on the DNB website <http://www.statistics.dnb.nl>. Quarterly data showing breakdowns by country are compiled by DNB for the direct investment income data. The data are not disseminated, but are available on request. The data showing country breakdowns for both the direct investment income data and the direct investment financial flows data are also reported to OECD and Eurostat on an annual basis. The data cover 37 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 the Netherlands during 2002 (ranked in descending order) were: Germany, Switzerland, Luxembourg, France, and Japan. The five countries with the largest amount of direct investment financial flows from the Netherlands during 2002 (ranked in descending order) were: Switzerland, Germany, France, Belgium, and Austria.

In addition to the data showing country breakdowns, quarterly data are compiled by DNB showing breakdowns of direct investment financial flows data for the following regions/economic zones and disseminated quarterly with a timeliness of 15 weeks after the end of the reference period in the DNB's *Statistical Bulletin* and on the DNB website <http://www.statistics.dnb.nl>: (i) the EU15, (ii) the Euro area, (iii) Eastern Europe, (iv) Southeast Asia, (v) Latin America, (vi) Africa, and (vii) Oceania. These data are also reported to the OECD and Eurostat.

Quarterly data showing breakdowns of the direct investment income data by regions/economic zones are available on request and are compiled by DNB for the specific regions/economic zones requested by the individual users.

There are no differences at present in the data coverage, sources, etc. between the outward transactions data showing geographic breakdowns disseminated in the national publications and reported to the OECD and Eurostat, and the aggregate outward data on direct investment income and direct investment financial flows reported to the IMF for publication. However, with effect from September 2004 there will be differences, in that the data reported to the OECD and Eurostat will include the activities of the SFIs which will continue to be excluded from the data disseminated in the national publications and reported to the IMF for publication.

### **Industrial Classification**

Monthly data showing breakdowns by industrial activity for both the direct investment income data and the direct investment financial flows data are compiled by DNB. These data are not disseminated, but are available on request. The data are also reported to the OECD and Eurostat on an annual basis. The data show a breakdown for 16 industrial activities. 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. The five industrial activities with the largest amount of direct investment income from investment abroad by residents of the Netherlands during 2002 (ranked in descending order) were: (i) other financial institutions including brokering and pension funding, (ii) manufacture of food products, beverages, and tobacco, (iii) retail trade and repair services of personal and household goods, (iv) manufacture of radio, television and communication equipment and apparatus, and (v) property insurance. The five industrial activities with the largest amount of direct investment financial flows from the Netherlands during 2002 (in descending order) were: (i) manufacture of coke, refined petroleum products and nuclear fuel, (ii) property insurance, (iii) manufacture of food products, beverages, and tobacco, (iv) other financial institutions, including brokering and pension funding, and (v) telecommunications.

Monthly data are compiled by DNB 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. The data are also reported to the OECD and Eurostat on an annual basis. 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: Germany, Switzerland, Luxembourg, France, and Japan. 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: Switzerland, Germany, France, Belgium, and Austria.

In addition, monthly data are compiled by DNB 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. These data are not disseminated, but are available on request.

There are no differences at present 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. However, with effect from September 2004 there will be differences, in that the data reported to the OECD and Eurostat will include the activities of the SFIs which will continue to be excluded from the data disseminated in the national publications and 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. 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. Contrary to the international standards, (i) enterprises abroad in which the resident direct investor owns 10 percent or more but does not have an effective voice in management are not included, and (ii) enterprises abroad in which the resident investor owns less than 10 percent but has an effective voice in management, as evidenced by participation in policy making and a lasting interest, are included. No value threshold is used to identify resident direct investors. (Prior to April 2003 a value threshold was used in that only enterprises with transactions through the ITRS of 0.5 million Euros or more were included.) Unincorporated enterprises are not treated differently from incorporated enterprises.

### **Treatment of Indirectly Owned Direct Investment Enterprises**

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

Enterprises in the Netherlands are required by law to produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic. However, companies are exempted from the requirement to produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, when their accounts are included in the published annual accounts of their parent or group disseminated within the European Union. Enterprises in the Netherlands are required by law to identify all transactions with the parent company.

### **Measurement of Direct Investment Earnings**

In accordance with the international standards, the "Current Operating Performance Concept" (COPC) is fully used to calculate direct investment earnings. Specifically, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) realized and unrealized capital gains and



losses, write-offs, and realized and unrealized exchange rate gains and losses are excluded, (iii) interest receivable/payable is included, and (iv) debt repayments receivable/payable are excluded. (Prior to April 2003, some enterprises included realized capital losses in their earnings data.)

#### **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. (Prior to April 2003, dividends and distributed branch profits were recorded net of withholding taxes.) Contrary to the international standards, most dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are paid, rather than on the date they are declared payable. However, some dividends and distributed branch profits are recorded on date they are payable.

#### **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) trade credits with a maturity of more than one year, and (iv) financial leases. The data do not cover (i) trade credits with a maturity of less than one year, and (ii) bonds and money market instruments. In accordance with the international standards, the data do not include (i) interest on financial derivatives, and (ii) interest on deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. In accordance with the international standards, (i) 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. Contrary to the international standards, (i) some of the data on income on debt (interest) are compiled on a paid basis, rather than an accrual basis, and (ii) the data do not 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 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, non-participating preference [preferred] shares are classified under equity capital, rather than under other capital.

#### **Treatment of Other Capital**

The other capital transactions data cover: (i) long-term loans, (ii) short-term loans, (iii) trade credits with a maturity of more than one year, and (iv) financial leases. The data do not cover: (i) trade credits with a maturity of less than one year, and (ii) bonds and money market instruments. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) the data do not include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, and (ii) the data do not include all transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises. (Only those transactions between nonfinancial direct investment enterprises and those affiliated special financial institutions (SFIs) that are not related to a monetary financial institution are included.) Prior to April 2003 the data did include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. Contrary to the international standards, the data do not include non-participating preference [preferred] shares, which are instead classified under equity capital.

The treatment of instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise varies depending on the treatment in the accounting records of the individual reporting enterprises, and will be recorded in one of the following four ways: (i) the entire amount of the loan/debt outstanding is treated as direct investment lending by the guarantor and recorded under "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises" at the time the guarantee is invoked, or (ii) the periodic payments of principal and interest made by the guarantor are treated as direct investment lending and recorded under "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises" at the time the periodic payments are made, or (iii) the entire amount of the loan/debt 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, or (iv) the periodic payments of principal and interest are treated as direct investment equity injections by the guarantor and recorded under "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises" at the time the periodic payments are made.

#### **Treatment of Reverse Investment**

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

Assuming that the direct investment enterprise is a resident of the Netherlands 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". (Prior to 2003, contrary to the international standards, equity transactions were recorded as "Direct Investment in the Netherlands: Equity Capital: Decreases in Liabilities to Direct Investors".)

Assuming that the direct investment enterprise is a resident of the Netherlands 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 the Netherlands: Equity Capital: Increase in Claims on Direct Investors" and loan transactions are recorded "Direct Investment in the Netherlands: Other Capital: Increase in Claims on Direct Investors". However, data showing claims on direct investors are not reported to the IMF at present, although there are plans to be so in the future. (Prior to 2003, contrary to the international standards, equity transactions were recorded as "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises" and loan transactions were recorded as "Direct Investment in the Netherlands: Other Capital: Decrease in Liabilities to 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 the Netherlands of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

### **Treatment of Offshore Enterprises**

In accordance with the international standards, activities of offshore enterprises established abroad by residents of the Netherlands 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 the Netherlands are included in the direct investment data. Contrary to the international standards, in the case of all SPEs established abroad by residents of the Netherlands (that is, both those that have the primary purpose of financial intermediation, and all other SPEs), transactions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt. (The international standards require that the data exclude only the transactions with affiliated banks and affiliated financial intermediaries—other than those involving equity capital and permanent debt—of those SPEs established abroad by residents of the Netherlands that have the primary purpose of financial intermediation, not all SPEs.)

### **Treatment of Land and Buildings**

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

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

In accordance with the international standards, expenditure related to natural resources exploration abroad by residents of the Netherlands is included in the equity capital data. However, the data cover only exploration undertaken by subsidiaries or local branches. Contrary to the international standards, expenditure on bonus payments made by residents of the Netherlands 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 the Netherlands 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. The data for reinvested earnings are converted 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 annual (calendar year) data are compiled by De Nederlandsche Bank (DNB) 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 the DNB's *Statistical Bulletin* and on the DNB website <http://www.statistics.dnb.nl>. The data are reported to the IMF for publication with a timeliness of 6 months. The data are also reported to the OECD and Eurostat with a timeliness of 18 months after the end of the reference year.

There are plans to begin to compile and disseminate quarterly data with a timeliness of 3 months after the end of the reference quarter, beginning with the data for Q3 2003 to Q4 2004, due to be released in January 2005.

##### Revision Practices

The data are preliminary when first released. The data for the previous two years are revised each year to take account of late reporters and new information. The revised data are disseminated annually together with the preliminary data for the latest year. At this time the data are considered to be final, that is, up to 24 months after their first release.

The revised status of the data is clearly identified in the disseminated data in instances of major revisions only and the general public are informed of the reasons for major revisions only. The historical data may be revised back a maximum of three years in instances of major changes in methodology, but not in instances of major changes in 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 the OECD and Eurostat.

Once the data begin to be disseminated quarterly in January 2005, it is planned that the data will be revised quarterly for the previous three quarters and disseminated together with the preliminary data for the latest quarter.

##### Data Coverage

No major sectors of the economy are excluded from the aggregate data. However, the data exclude the Special Financial Institutions (SFIs) element of the financial sector. There are plans to begin to include SFIs in the data reported to the OECD and Eurostat with effect from September 2004, but not in the data disseminated in the national publications and reported to the IMF for publication. (Prior to April 2003 the data did not include unincorporated enterprises.)

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 at present. However, there will be differences after September 2004.

##### Data Collection Method

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

## Data Sources

The data for equity capital and reinvested earnings are compiled from annual enterprise surveys of resident enterprises. A monthly enterprise survey is used to compile the data on other capital and is also used for cross-checking the equity capital data. The perpetual inventory method (a method for deriving position data from transactions data) is not used. (Prior to April 2003 the perpetual inventory method was used to compile the data on other capital.)

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

A business register of enterprises involved in direct investment is used to compile the outward direct investment position data. The register is maintained by DNB and is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) a register maintained by industry associations, (iii) the financial press, (iv) issuance statistics, and (v) information provided by the reporting enterprises. 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 DNB and disseminated with a timeliness of 9 months after the end of the reference period in the DNB's *Statistical Bulletin* and on the DNB website <http://www.statistics.dnb.nl>. The data showing country breakdowns for the outward direct investment position data are also reported to OECD and Eurostat. The data cover 37 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 the Netherlands as at the end of 2002 (ranked in descending order) were: the United States, Belgium/Luxembourg, France, the United Kingdom, and Switzerland.

In addition to the data showing country breakdowns, annual data are compiled by DNB showing breakdowns of the outward direct investment position data for the following regions/economic zones and are disseminated annually with a timeliness of 6 months after the end of the reference period in the DNB's *Statistical Bulletin* and on the DNB website <http://www.statistics.dnb.nl>: (i) the EU15, (ii) the Euro area, (iii) Eastern Europe, (iv) Southeast Asia, (v) Latin America, (vi) Africa, and (vii) Oceania. These data are also reported to the OECD and Eurostat.

There are no differences at present 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. However, with effect from September 2004 there will be differences, in that the data reported to the OECD and Eurostat will include the activities of the SFIs which will continue to be excluded from the data disseminated in the national publications and 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 DNB and disseminated with a timeliness of 9 months after the end of the reference year in the DNB's *Statistical Bulletin* and on the DNB website <http://www.statistics.dnb.nl>. The data showing country breakdowns for the outward direct investment position data are also reported to OECD and Eurostat. The data show a breakdown for 16 industrial activities. 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. The five industrial activities with the largest amount of direct investment from the Netherlands as at the end of 2002 (ranked in descending order) were: (i) other financial institutions including brokering and pension funding, (ii) manufacture of coke, refined petroleum products, and nuclear fuel, (iii) property insurance, (iv) retail trade and repair services of personal and household goods, and (v) manufacture of food products, beverage, and tobacco.

Annual data are compiled by DNB for the outward direct investment position data showing a breakdown by both industrial activity and main partner country and are disseminated annually with a timeliness of 6 months after the end of the reference period in the DNB's *Statistical Bulletin* and on the DNB website <http://www.statistics.dnb.nl>. These data are also reported to the OECD and Eurostat. 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: the United States, Belgium/Luxembourg, France, the United Kingdom, and Switzerland.

In addition, annual data are compiled by DNB for the outward direct investment position data showing a breakdown by both industrial activity and region/economic zone and are disseminated annually with a timeliness of 6 months after the end of the reference period in the DNB's *Statistical Bulletin* and on the DNB website <http://www.statistics.dnb.nl>. These data are also reported to the OECD and Eurostat.

There are no differences at present 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 reported to the IMF for publication. However, with effect from September 2004 there will be differences, in that the data reported to the OECD and Eurostat will include the activities of the SFIs which will continue to be excluded from the data disseminated in the national publications and 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. 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. Contrary to the international standards, (i) enterprises abroad in which the resident direct investor owns 10 percent or more but does not have an effective voice in management are not included, and (ii) enterprises abroad in which the resident investor owns less than 10 percent but has an effective voice in management, as evidenced by participation in policy making and a lasting interest, are included. No value threshold is used to identify resident direct investors. No value threshold is used to identify resident direct investment enterprises. (Prior to April 2003 a value threshold was used in that only enterprises with transactions through the ITRS of 0.5 million Euros or more were included.) Unincorporated enterprises are not treated differently from incorporated enterprises. (Prior to April 2003 the data excluded unincorporated enterprises from the published position data, with the exception of those data reported to the IMF for publication in the *International Financial Statistics* and the *Balance of Payments Statistics Yearbook*.)

### **Treatment of Indirectly Owned Direct Investment Enterprises**

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

### **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, non-participating preference [preferred] shares are classified under equity capital, rather than under other capital.

The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) reinvested earnings are recorded in the period in which they are earned, (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 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) trade credits with a maturity of one year or more, and (iv) financial leases. (Prior to April 2003, the data did not cover financial leases.) The data do not include (i) trade credits with a maturity of less than one year, and (ii) bonds and money market instruments. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. Contrary to the international standards, (i) the data do not include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and only those positions between nonfinancial direct investment enterprises and those affiliated special financial institutions (SFIs) that are not related to a monetary financial institution are included, and (ii) the data do not include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. In accordance with the international standards, 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. (Prior to April 2003 the data did include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries.) In accordance with the international standards, 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 do not include non-participating preference [preferred] shares, which are instead classified under equity capital.

The treatment of instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise varies depending on the treatment in the accounting records of the individual reporting enterprises, and will be recorded in one of the following four ways: (i) the entire amount of the loan/debt outstanding is treated as direct investment lending by the guarantor and recorded under "Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises" at the time the guarantee is invoked, or (ii) the periodic payments of principal and interest made by the guarantor are treated as direct investment lending and recorded under "Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises" at the time the periodic payments are made, or (iii) the entire amount of the loan/debt 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, or (iv) the periodic payments of principal and interest are treated as direct investment equity injections by the guarantor and recorded under "Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises" at the time the periodic payments are made.

### **Treatment of Reverse Investment**

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

Assuming that the direct investment enterprise is a resident of the Netherlands 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”. (Prior to 2003, contrary to the international standards, equity positions were recorded as “Liabilities: Direct Investment in the Netherlands: Equity Capital: Liabilities to Direct Investors”.)

Assuming that the direct investment enterprise is a resident of the Netherlands 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 the Netherlands: Equity Capital: Claims on Direct Investors” and loan positions are recorded “Liabilities: Direct Investment in the Netherlands: Other Capital: Claims on Direct Investors”. However, data showing claims on direct investors are not reported to the IMF at present, although there are plans to be so in the future. (Prior to 2003, contrary to the international standards, equity positions were recorded as “Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises” and loan positions were recorded as “Liabilities: Direct Investment in the Netherlands: Other Capital: Liabilities to 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 the Netherlands of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

### **Treatment of Offshore Enterprises**

In accordance with the international standards, activities of offshore enterprises established abroad by residents of the Netherlands 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 the Netherlands are included in the direct investment data. Contrary to the international standards, in the case of all SPEs established abroad by residents of the Netherlands (that is, both those that have the primary purpose of financial intermediation, and all other SPEs), positions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt. (The international standards require that the data exclude only the positions with affiliated banks and affiliated financial intermediaries—other than those involving equity capital and permanent debt—of those SPEs established abroad by residents of the Netherlands that have the primary purpose of financial intermediation, not all SPEs.)

### **Treatment of Land and Buildings**

In accordance with the international standards, the equity capital data include ownership of land and buildings abroad by enterprises resident in the Netherlands. Contrary to the international standards, the data do not include ownership of land and buildings abroad by individuals resident in the Netherlands. Land and buildings owned abroad by enterprises and individuals resident in the Netherlands on long-term leases are not included.

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

In accordance with the international standards, expenditure related to natural resources exploration abroad by residents of the Netherlands is included in the equity capital data. However, the data cover only exploration undertaken by subsidiaries or local branches. Contrary to the international standards, expenditure on bonus payments made by residents of the Netherlands 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 the Netherlands for natural resource exploration, an adjustment to reflect that shutdown is made to the assets data on direct investment equity capital in the international investment position statistics. However, these adjustments are only made if the exploration has been undertaken through a subsidiary or a local branch.

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

The data on equity capital for listed enterprises are recorded at market values. The data on equity capital for unlisted enterprises are recorded at book values, which are primarily the net asset values or, in a small number of cases, the historical costs.

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

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

#### **Exchange Rate Conversion**

All positions are converted to the unit of account at the exchange rate prevailing on the date the stocks were acquired.