

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.

Norway:

Direct Investment Compilation Practices, Data Sources and Methodology

Mr. Trond Lasse Larsen
Senior Executive Officer
Public Finance and Credit Market Statistics Division
Statistics Norway
Kongens Gate 6
P.O.B. 8131 Dep.
N 0033 Oslo
Norway

Telephone: (47-2) 2109-4203
Fax: (47-2) 2109-4998
E-mail: Trond.Larsen@ssb.no

Direct Investment in Norway

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

BALANCE OF PAYMENTS (“INWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable monthly data are compiled by the Norges Bank (NB) within the balance of payments framework on (a) one of the components of direct investment income, namely, reinvested earnings, and (b) the components of direct investment financial flows: (i) equity capital, and (ii) other capital. These data are disseminated with a timeliness of 8 weeks after the end of the reference period on the NB website <http://www.norges-bank.no>. Annual data on (i) income on equity (dividends and distributed branch profits), and (ii) income on debt (interest) are disseminated with a timeliness of 9 months after the end of the reference period on the NB website. The data are also reported to the IMF (quarterly rather than monthly) and the OECD and Eurostat for publication, with the exception of the data on income on debt (interest), which are not reported to the IMF, but are reported to the OECD and Eurostat. There are plans to change the compilation system with effect from 2005, after which it is planned that data on income on debt (interest) will begin to be reported to the IMF for publication.

Revision Practices

The data are preliminary when first released. The monthly data for the current year are revised every month to take account of revised source data, and are disseminated monthly together with the preliminary data for the latest month. Data for the previous years are revised occasionally in line with revisions to the national accounts data made to take account of new data from annual data sources and revised calculations and estimations. The data are considered to be final after 4 years, that is up to 48 months after their first release.

The revised data are clearly identified in the disseminated data and the general public are informed of the reasons for major revisions. There is no standard policy on whether, or how far back, the historical data are revised in cases of major changes in methodology or data collections.

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

Data Coverage

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

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

Data Collection Method

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

Data Sources

The data for all components except reinvested earnings are compiled from an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, and cash transactions made through the foreign bank accounts of enterprises and settlements through intercompany accounts, but not noncash transactions. The data for reinvested earnings are estimates derived from the profits reported in an annual survey of direct investment positions, less the dividends paid during the current month reported in the ITRS. There are plans to introduce a new data collection system in 2005.

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

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

Geographic Classification

Quarterly data showing breakdowns by country for the direct investment financial flows data are compiled by the NB and disseminated quarterly with a timeliness of approximately 10 weeks after the reference period on the NB website <http://www.norges-bank.no>. The data showing country breakdowns for the direct investment financial flows are also reported to the OECD and Eurostat. The data cover 15 countries and bilateral data are not used in the compilation of the data. Data showing breakdowns by country for the direct investment income data are not compiled.

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 financial flows into Norway during 2003 (ranked in descending order) were: Denmark, Canada, the United Kingdom, the United States, and Sweden.

In addition to the data showing country breakdowns, annual data are compiled by the NB showing breakdowns of the direct investment financial flows data for the following regions/economic zones: (i) the EU15, (ii) EFTA, and (iii) the OECD. The data are disseminated quarterly with a timeliness of approximately 10 weeks after the reference period on the NB website <http://www.norges-bank.no>. The data are also reported to the OECD and Eurostat.

There are no differences in the data coverage, sources, etc. between the inward transactions data showing geographic breakdowns disseminated in the national publications and reported to the OECD and Eurostat, and the aggregate inward data on direct investment financial flows reported to the IMF for publication.

Industrial Classification

Quarterly data showing breakdowns by industrial activity for direct investment financial flows are compiled by the NB and are disseminated quarterly with a timeliness of approximately 10 weeks after the end of the reference year on the NB website <http://www.norges-bank.no>. The data showing country breakdowns for the direct investment financial flows are also reported to the OECD and Eurostat. The data show a breakdown for 15 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). Data showing breakdowns by country for the direct investment income data are not compiled.

The data are classified on the basis of the industrial activity of the resident direct investment enterprises. The five industrial activities with the largest amount of direct investment financial flows into Norway during 2002 (in descending order) were: (i) oil extraction, (ii) transport and communication, (iii) miscellaneous business activities, (iv) banking, finance, and insurance activities, and (v) manufacturing.

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

There are no differences in the data coverage, sources, etc. between the inward transactions data showing industrial activity breakdowns disseminated in the national publications and reported to the OECD and Eurostat for publication and the aggregate inward data on direct investment financial flows reported to the IMF for publication.

B. Methodology

Definition of Direct Investment Enterprises in Norway

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Norway is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management—that is, enterprises in which the nonresident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual

nonresident investor or group of related nonresident investors, rather than being calculated by combining the holdings of all nonresident investors in a specific enterprise or from a specific country. Although no value threshold is used to identify resident direct investment enterprises, a general threshold of NOK 250 is used for reporting transactions through the ITRS system. 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 Norway are not required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, or (ii) identify all transactions with the parent company. (Prior to 1998 enterprises in Norway were required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, and (ii) identify all transactions with the parent company.)

Measurement of Direct Investment Earnings

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

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

The data on dividends and distributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) dividends and distributed branch profits are recorded gross of any withholding taxes, and (ii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises. Contrary to the international standards, (i) dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are paid, rather than on the date they are declared payable, and (ii) the treatment of affiliated financial auxiliaries (such as security dealers) differs from the treatment of other affiliated financial intermediaries and affiliated banks, in that the treatment of affiliated financial intermediaries specified in the international standards is not extended to the affiliated financial auxiliaries, which are treated as nonfinancial enterprises in the direct investment data. However, the impact on the data is considered to be minor.

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, and (ii) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings. Contrary to the international standards, the treatment of affiliated financial auxiliaries (such as security dealers) differs from the treatment of other affiliated financial intermediaries and affiliated banks, in that the treatment of affiliated financial intermediaries specified in the international standards is not extended to the affiliated financial auxiliaries, which are treated as nonfinancial enterprises in the direct investment data. However, the impact on the data is considered to be minor.

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, and (ii) short-term loans. The data do not cover interest on (i) bonds and money market instruments, (ii) trade credits, and (iii) financial leases. In accordance with the international standards, the data do not include (i) interest on financial derivatives, and (ii) interest on deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. In accordance with the international standards, the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises. Contrary to the international standards, (i) the data are recorded on a paid basis, rather than on an accrual basis, and (ii) the treatment of affiliated financial auxiliaries (such as security dealers) differs from the treatment of other affiliated financial intermediaries and affiliated banks, in that the treatment of affiliated financial intermediaries specified in the international standards is not extended to the affiliated financial auxiliaries, which are treated as nonfinancial enterprises in the direct investment data. However, the impact on the data is considered to be minor.

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, and (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. Contrary to the international standards, (i) the data are recorded on a paid basis, rather than on an accrual basis, (ii) the data include non-participating preference shares, which are classified under equity capital rather than under other capital, and (iii) the treatment of affiliated financial auxiliaries (such as security dealers) differs from the treatment of other affiliated financial intermediaries and affiliated banks, in that the treatment of affiliated financial intermediaries specified in the international standards is not extended to the affiliated financial auxiliaries, which are treated as nonfinancial enterprises in the direct investment data. However, the impact on the data is considered to be minor.

Treatment of Other Capital

The other capital transactions data cover (i) short-term loans, (ii) long-term loans, and (iii) bonds and money market instruments. The data do not cover (i) trade credits, and (ii) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) the data include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as being subordinated (perpetual) loans.) Contrary to the international standards, (i) the data do not include non-participating preference shares, which are instead classified under equity capital, and (ii) the treatment of affiliated financial auxiliaries (such as security dealers) differs from the treatment of other affiliated financial intermediaries and affiliated banks, in that the treatment of affiliated financial intermediaries specified in the international standards is not extended to the affiliated financial auxiliaries, which are treated as nonfinancial enterprises in the direct investment data. However, the impact on the data is considered to be minor.

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 enterprises—either (i) the entire amount of the loan outstanding is treated as an equity capital injection by the guarantor and recorded under “Direct Investment in Norway: Equity Capital: Increase in Liabilities to Direct Investors” at the time the guarantee is invoked, or (ii) the entire amount of the loan outstanding is treated as lending by the guarantor and recorded under “Direct Investment in Norway: Other Capital: Increase in Liabilities to Direct Investors” at the time the guarantee is invoked, or (iii) the periodic payments of principal and interest made by the guarantor are treated as equity capital injections by the guarantor and recorded under “Direct Investment in Norway: Equity Capital: Increase in Liabilities to Direct Investors” at

the time the periodic payments are made, or (iv) the periodic payments of principal and interest made by the guarantor are treated as lending by the guarantor and recorded under "Direct Investment in Norway: Other Capital: Increase in Liabilities to Direct Investors" at the time the periodic payments are made.

Treatment of Reverse Investment

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

Assuming that the direct investment enterprise is a resident of Norway 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, contrary to the international standards, equity transactions are recorded as "Direct Investment in Norway: Equity Capital: Increase in Claims on Direct Investors", rather than as "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises", and loan transactions are recorded as "Direct Investment in Norway: Other Capital: Increase in Claims on Direct Investors", rather than as "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of Norway and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity transactions are recorded as "Portfolio Investment: Increase in Assets: Equity Securities" rather than as "Direct Investment in Norway: Equity Capital: Increase in Claims on Direct Investors", and loan transactions are recorded as "Direct Investment in Norway: Other Capital: Decrease in Liabilities to Direct Investors", rather than as "Direct Investment in Norway: Other Capital: Increase in Claims on Direct Investors".

Treatment of Quasi-corporations

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation of construction enterprises in Norway by nonresidents. However, the coverage of the data is considered to be limited as the transactions are able to be identified from the present data sources only in exceptional instances. Contrary to the international standards, the data do not include quasi-corporations arising from the operation in Norway by nonresidents of mobile equipment, such as ships, aircraft, and drilling rigs.

Treatment of Offshore Enterprises

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

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, (i) activities of SPEs established in Norway by nonresidents are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established in Norway by nonresidents that have the primary purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt.

Treatment of Land and Buildings

In accordance with the international standards, the direct investment data include most purchases and sales of land and buildings in Norway by nonresident enterprises and nonresident individuals. However, the purchases of noncommercial buildings, such as holiday homes, are not included. Land and buildings purchased in Norway by nonresident enterprises and nonresident individuals on long-term leases are not included. Contrary to the international standards, the data are classified under other capital, rather than under equity capital.

Treatment of Natural Resources Exploration

Expenditure related to natural resource exploration in Norway by nonresidents is not applicable as the expenditure is deemed to be a domestic (resident to resident) transaction, given that the establishment of an operational subsidiary resident in Norway is required for such activities. Expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is not applicable, as bonus payments are not used for rights to explore for crude oil and natural gas in Norway and the Norwegian

ocean territory. In accordance with the international standards, in instances of the shutdown of a direct investment enterprise established in Norway by nonresidents for natural resource exploration, no transactions are shown in the balance of payments statistics.

Exchange Rate Conversion

Most transactions, with the exception of the estimates of reinvested earnings, are converted to the unit of account at the exchange rate prevailing on the day of the transaction. Some transactions are converted at the average exchange rate for the period. The estimates of reinvested earnings are converted to the unit of account using a combination of the exchange rate prevailing on the day of the transaction and the rate used by the individual reporting enterprises.

DIRECT INVESTMENT IN NORWAY

INTERNATIONAL INVESTMENT POSITION LIABILITIES (“INWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable annual (calendar year) data are compiled by the Norges Bank (NB) 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 22 months after the end of the reference year on the NB website <http://www.norges-bank.no> and on the website of Statistics Norway <http://www.ssb.no>. The data are also reported to the OECD and Eurostat, but not to the IMF for publication.

Revision Practices

The data are generally considered to be final when first released, although the data may occasionally be revised.

Any revised data are clearly identified in the disseminated data and the general public are informed of the reasons for any major revisions. There is no standard policy on whether, or how far back, the historical data are revised in cases of major changes in methodology or data collections.

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

Data Coverage

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

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

Data Collection Method

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

Data Sources

The data for all components are compiled from annual enterprise surveys of resident direct investment enterprises. The perpetual inventory method (a method for deriving position data from transactions data) is not used. There are plans to introduce a new data collection system in 2005.

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

A business register of enterprises involved in direct investment is used to compile the inward direct investment position data. The register is maintained by the NB and is updated on an annual basis using information from (i) the ITRS's list of transactors, (ii) the financial press, and (iii) compulsory direct investment surveys. A different register is used for the outward direct investment position data. (No register is used for the inward and outward transactions data.)

Geographic Classification

Annual data showing breakdowns by country for the inward direct investment position data are compiled by the NB and disseminated once a year with a timeliness of 22 months after the reference year on the NB website <http://www.norges-bank.no> and on the website of Statistics Norway <http://www.ssb.no>. The data showing country breakdowns for the inward direct investment position data are also reported to the OECD and Eurostat. The data cover 15 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 Norway as at the end of 2002 (ranked in descending order) were: Sweden, the Netherlands, the United States, the United Kingdom, and Denmark.

In addition to the data showing country breakdowns, annual data are compiled by the NB showing breakdowns of the inward direct investment position data for the following regions/economic zones: (i) the EU15, (ii) EFTA, and (iii) the OECD. These data are disseminated once a year with a timeliness of 22 months after the end of the reference period on the NB website <http://www.norges-bank.no> and on the website of Statistics Norway <http://www.ssb.no>.

There are no differences in the data coverage, sources, etc. between the inward position data showing geographic breakdowns disseminated in the national publications and those reported to the OECD and Eurostat. No aggregate inward position data are reported to the IMF for publication at present. However, there are differences 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 disseminated as part of the IIP statement with a timeliness of 9 months under the requirements of the IMF’s Special Data Dissemination Standards (SDDS), as the latter are estimates based on the latest available annual survey data, accumulated transactions, and revaluations.

Industrial Classification

Annual data showing breakdowns by industrial activity for the inward direct investment position data are compiled by the NB and are disseminated once a year with a timeliness of 22 months after the end of the reference year on the NB website <http://www.norges-bank.no> and on the website of Statistics Norway <http://www.ssb.no>. The data showing country breakdowns for the inward direct investment position are also reported to the OECD and Eurostat. The data show a breakdown for 15 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 data are classified on the basis of the industrial activity of the resident direct investment enterprises. The five industrial activities with the largest amount of direct investment in Norway as at the end of 2002 (in descending order) were: (i) oil extraction, (ii) banking, finance and insurance activities, (iii) manufacturing, (iv) wholesale and retail trade, hotels, and restaurants, and (v) transport and communications.

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

There are no differences in the data coverage, sources, etc. between the inward position data showing industrial activity breakdowns disseminated in the national publications and those reported to the OECD and Eurostat. No aggregate inward position data are reported to the IMF for publication at present. However, there are differences 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 disseminated as part of the IIP statement with a timeliness of 9 months under the requirements of the IMF’s Special Data Dissemination Standards (SDDS), as the latter are estimates based on the latest available annual survey data, accumulated transactions, and revaluations.

B. Methodology

Definition of Direct Investment Enterprises in Norway

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

used to identify resident direct investment enterprises in the inward position data, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The "Fully Consolidated System" (FCS) recommended in the international standards is fully 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 Norway are not required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, or (ii) identify all transactions with the parent company. (Prior to 1998 enterprises in Norway were required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, and (ii) identify all transactions with the parent company.)

Treatment of Equity Capital and Reinvested Earnings

The equity capital position data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, (iv) other non-voting stocks (shares), and (v) noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity positions between affiliated banks and between affiliated financial intermediaries, and (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. Contrary to the international standards, (i) the data include non-participating preference shares, which are classified under equity capital rather than under other capital, and (ii) the treatment of affiliated financial auxiliaries (such as security dealers) differs from the treatment of other affiliated financial intermediaries and affiliated banks, in that the treatment of affiliated financial intermediaries specified in the international standards is not extended to the affiliated financial auxiliaries, which are treated as nonfinancial enterprises in the direct investment data. However, the impact on the data is considered to be minor.

The data on reinvested earnings cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings are recorded in the period in which they are earned, (ii) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings, and (iii) the data include reinvested earnings between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises. Contrary to the international standards, the treatment of affiliated financial auxiliaries (such as security dealers) differs from the treatment of other affiliated financial intermediaries and affiliated banks, in that the treatment of affiliated financial intermediaries specified in the international standards is not extended to the affiliated financial auxiliaries, which are treated as nonfinancial enterprises in the direct investment data. However, the impact on the data is considered to be minor. (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 Norway.)

Treatment of Other Capital

The other capital position data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) loan/debt guarantees provided by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) the data include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as being subordinated [perpetual] loans.) Contrary to the international standards, (i) the data include financial derivatives, (ii) the data do not include non-participating preference shares, which are classified under equity capital, rather than other capital, and (iii) the treatment of

affiliated financial auxiliaries (such as security dealers) differs from the treatment of other affiliated financial intermediaries and affiliated banks, in that the treatment of affiliated financial intermediaries specified in the international standards is not extended to the affiliated financial auxiliaries, which are treated as nonfinancial enterprises in the direct investment data. However, the impact on the data is considered to be minor.

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 enterprises—either (i) the entire amount of the loan outstanding is treated as an equity capital injection by the guarantor and recorded under “Liabilities: Direct Investment in Norway: Equity Capital: Liabilities to Direct Investors” at the time the guarantee is invoked, or (ii) the entire amount of the loan outstanding is treated as lending by the guarantor and recorded under “Liabilities: Direct Investment in Norway: Other Capital: Liabilities to Direct Investors” at the time the guarantee is invoked, or (iii) the periodic payments of principal and interest made by the guarantor are treated as equity capital injections by the guarantor and recorded under “Liabilities: Direct Investment in Norway: Equity Capital: Liabilities to Direct Investors” at the time the periodic payments are made, or (iv) the periodic payments of principal and interest made by the guarantor are treated as lending by the guarantor and recorded under “Liabilities: Direct Investment in Norway: Other Capital: Liabilities to Direct Investors” at the time the periodic payments are made.

Treatment of Reverse Investment

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

Assuming that the direct investment enterprise is a resident of Norway 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, contrary to the international standards, equity positions are recorded as “Liabilities: Direct Investment in Norway: Equity Capital: Claims on Direct Investors”, rather than as “Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises”, and loan positions are recorded as “Liabilities: Direct Investment in Norway: Other Capital: Claims on Direct Investors”, rather than as “Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises”.

Assuming that the direct investment enterprise is a resident of Norway and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity positions are recorded as “Assets: Portfolio Investment: Equity Securities” rather than as “Liabilities: Direct Investment in Norway: Equity Capital: Claims on Direct Investors”, and loan positions are recorded as “Liabilities: Direct Investment in Norway: Other Capital: Liabilities to Direct Investors”, rather than as “Liabilities: Direct Investment in Norway: Other Capital: Claims on Direct Investors”.

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in Norway 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 Norway by nonresidents at present.

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, (i) activities of SPEs established in Norway by nonresidents are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established in Norway by nonresidents that have the primary purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt.

Treatment of Land and Buildings

In accordance with the international standards, the direct investment data include most instances of ownership of land and buildings in Norway by nonresident enterprises and nonresident individuals. However, the purchases of noncommercial buildings, such as holiday homes, are not included. Land and buildings owned in Norway by

nonresident enterprises and nonresident individuals on long-term leases are not included. Contrary to the international standards, the data are classified either as equity capital or as other capital depending on the accounting practices of the reporting enterprises, rather than being all classified under equity capital.

Treatment of Natural Resources Exploration

Expenditure related to natural resource exploration in Norway by nonresidents is not applicable as the expenditure is deemed to be a domestic (resident to resident) position, given that the establishment of an operational subsidiary resident in Norway is required for such activities. Expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is not applicable, as bonus payments are not used for rights to explore for crude oil and natural gas in Norway and the Norwegian ocean territory. In accordance with the international standards, in instances of the shutdown of a direct investment enterprise established in Norway by nonresidents for natural resource exploration, an adjustment to reflect that shutdown is made to the liabilities data on direct investment equity capital in the international investment position statistics.

Valuation of Assets and Liabilities

The data on equity capital for both listed and unlisted enterprises are recorded at book values, which are the historical costs.

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

The book values used are those shown in the accounting records of the resident direct investment enterprises.

Exchange Rate Conversion

All positions are converted to the unit of account at the exchange rate used by the individual reporting enterprises.

DIRECT INVESTMENT ABROAD

BALANCE OF PAYMENTS (“OUTWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable monthly data are compiled by the Norges Bank (NB) within the balance of payments framework on (a) one of the components of direct investment income, namely, reinvested earnings, and (b) the components of direct investment financial flows: (i) equity capital, and (ii) other capital. These data are disseminated with a timeliness of 8 weeks after the end of the reference period on the NB website <http://www.norges-bank.no>. Annual data on (i) income on equity (dividends and distributed branch profits), and (ii) income on debt (interest) are disseminated with a timeliness of 9 months after the end of the reference period on the NB website. The data are also reported to the IMF (quarterly rather than monthly) and the OECD and Eurostat for publication, with the exception of the data on income on debt (interest), which are not reported to the IMF, but are reported to the OECD and Eurostat. There are plans to change the compilation system with effect from 2005, after which it is planned that data on income on debt (interest) will begin to be reported to the IMF for publication.

Revision Practices

The data are preliminary when first released. The monthly data for the current year are revised every month to take account of revised source data, and are disseminated monthly together with the preliminary data for the latest month. Data for the previous years are revised occasionally in line with revisions to the national accounts data made to take account of new data from annual data sources and revised calculations and estimations. The data are considered to be final after 4 years, that is up to 48 months after their first release.

The revised data are clearly identified in the disseminated data and the general public are informed of the reasons for major revisions. There is no standard policy on whether, or how far back, the historical data are revised in cases of major changes in methodology or data collections.

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

Data Coverage

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

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

Data Collection Method

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

Data Sources

The data for all components except reinvested earnings are compiled from an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, and cash transactions made through the foreign bank accounts of enterprises and settlements through intercompany accounts, but not noncash transactions. The data for reinvested earnings are estimates derived from the profits reported in an annual survey of direct investment positions, less the dividends paid during the current month reported in the ITRS. There are plans to introduce a new data collection system in 2005.

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

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

Geographic Classification

Quarterly data showing breakdowns by country for the direct investment financial flows data are compiled by the NB and disseminated quarterly with a timeliness of approximately 10 weeks after the reference period on the NB website <http://www.norges-bank.no>. The data showing country breakdowns for the direct investment financial flows are also reported to the OECD and Eurostat. The data cover 15 countries and bilateral data are not used in the compilation of the data. Data showing breakdowns by country for the direct investment income data are not compiled.

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 financial flows from Norway during 2003 (ranked in descending order) were: the United Kingdom, the United States, Denmark, Sweden, and Germany.

In addition to the data showing country breakdowns, annual data are compiled by the NB showing breakdowns of the direct investment financial flows data for the following regions/economic zones: (i) the EU15, (ii) EFTA, and (iii) the OECD. The data are disseminated quarterly with a timeliness of approximately 10 weeks after the reference period on the NB website <http://www.norges-bank.no>. The data are also reported to the OECD and Eurostat.

There are no differences in the data coverage, sources, etc. between the outward transactions data showing geographic breakdowns disseminated in the national publications and reported to the OECD and Eurostat, and the aggregate outward data on direct investment financial flows reported to the IMF for publication.

Industrial Classification

Quarterly data showing breakdowns by industrial activity for direct investment financial flows are compiled by the NB and are disseminated once a year with a timeliness of approximately 10 weeks after the end of the reference year on the NB website <http://www.norges-bank.no>. The data showing country breakdowns for the direct investment financial flows are also reported to the OECD and Eurostat. The data show a breakdown for 15 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). Data showing breakdowns by country for the direct investment income data are not compiled.

The data are classified on the basis of the industrial activity of the resident direct investors. The five industrial activities with the largest amount of direct investment financial flows from Norway during 2002 (in descending order) were: (i) manufacturing (ii) transport and communication (iii) banking, finance, and insurance activities, (iv) other and unallocated activities, and (v) wholesale and trade, hotels and restaurants.

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

There are no differences in the data coverage, sources, etc. between the outward transactions data showing industrial activity breakdowns disseminated in the national publications and reported to the OECD and Eurostat for publication and the aggregate outward data on direct investment financial flows reported to the IMF for publication.

B. Methodology

Definition of Direct Investors

In accordance with the international standards, the basic criterion for defining resident direct investors is 10 percent ownership by a resident investor of an enterprise abroad, regardless of whether the investor has an effective voice in management—that is, enterprises abroad in which the resident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises abroad in which the resident investor owns less than 10 percent but has an effective voice in management are not included. In accordance with the international standards, the 10 percent ownership is based on the ownership of each

individual resident investor or group of related resident investors, rather than being calculated by combining the holdings of all resident investors in a specific enterprise abroad or in a specific country abroad. Although no value threshold is used to identify resident direct investors, a general threshold of NOK 250 is used for reporting transactions through the ITRS system. 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 Norway are not required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, or (ii) identify all transactions with the parent company. (Prior to 1998 enterprises in Norway were required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, and (ii) identify all transactions with the parent company.)

Measurement of Direct Investment Earnings

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

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

The data on dividends and distributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) dividends and distributed branch profits are recorded gross of any withholding taxes, and (ii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises. Contrary to the international standards, (i) dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are paid, rather than on the date they are declared payable, and (ii) the treatment of affiliated financial auxiliaries (such as security dealers) differs from the treatment of other affiliated financial intermediaries and affiliated banks, in that the treatment of affiliated financial intermediaries specified in the international standards is not extended to the affiliated financial auxiliaries, which are treated as nonfinancial enterprises in the direct investment data. However, the impact on the data is considered to be minor.

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, and (iii) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings. Contrary to the international standards, the treatment of affiliated financial auxiliaries (such as security dealers) differs from the treatment of other affiliated financial intermediaries and affiliated banks, in that the treatment of affiliated financial intermediaries specified in the international standards is not extended to the affiliated financial auxiliaries, which are treated as nonfinancial enterprises in the direct investment data. However, the impact on the data is considered to be minor.

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, and (ii) short-term loans. The data do not cover interest on (i) bonds and money market instruments, (ii) trade credits, and (iii) financial leases. In accordance with the international standards, the data do not include (i) interest on financial derivatives, and (ii) interest on deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. In accordance with the international standards, the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises. Contrary to the international standards, (i) the data are recorded on a paid basis, rather than on an accrual basis, and (ii) the treatment of affiliated financial auxiliaries (such as security dealers) differs from the treatment of other affiliated financial intermediaries and affiliated banks, in that the treatment of affiliated financial intermediaries specified in the international standards is not extended to the affiliated financial auxiliaries, which are treated as nonfinancial enterprises in the direct investment data. However, the impact on the data is considered to be minor.

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, and (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. Contrary to the international standards, (i) the data include non-participating preference shares, which are classified under equity capital, rather than under other capital, and (ii) the treatment of affiliated financial auxiliaries (such as security dealers) differs from the treatment of other affiliated financial intermediaries and affiliated banks, in that the treatment of affiliated financial intermediaries specified in the international standards is not extended to the affiliated financial auxiliaries, which are treated as nonfinancial enterprises in the direct investment data. However, the impact on the data is considered to be minor.

Treatment of Other Capital

The other capital transactions data cover (i) short-term loans, (ii) long-term loans, and (ii) bonds and money market instruments. The data do not cover (i) trade credits, and (ii) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) the data include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as being subordinated (perpetual) loans.) Contrary to the international standards, (i) the data do not include non-participating preference shares, which are instead classified under equity capital, and (ii) the treatment of affiliated financial auxiliaries (such as security dealers) differs from the treatment of other affiliated financial intermediaries and affiliated banks, in that the treatment of affiliated financial intermediaries specified in the international standards is not extended to the affiliated financial auxiliaries, which are treated as nonfinancial enterprises in the direct investment data. However, the impact on the data is considered to be minor.

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 enterprises—either (i) the entire amount of the loan outstanding is treated as an equity capital 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 (ii) the entire amount of the loan outstanding is treated as 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 (iii) the periodic payments of principal and interest made by the guarantor are treated as equity capital 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, or (iv) the periodic payments of principal and interest made by the guarantor are treated as

lending by the guarantor and recorded under "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises" at the time the periodic payments are made.

Treatment of Reverse Investment

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

Assuming that the direct investment enterprise is a resident of Norway 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, contrary to the international standards, equity transactions are recorded as "Direct Investment in Norway: Equity Capital: Increase in Claims on Direct Investors", rather than as "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises", and loan transactions are recorded as "Direct Investment in Norway: Other Capital: Increase in Claims on Direct Investors", rather than as "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of Norway and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity transactions are recorded as "Portfolio Investment: Increase in Assets: Equity Securities" rather than as "Direct Investment in Norway: Equity Capital: Increase in Claims on Direct Investors", and loan transactions are recorded as "Direct Investment in Norway: Other Capital: Decrease in Liabilities to Direct Investors", rather than as "Direct Investment in Norway: Other Capital: Increase in Claims on Direct Investors".

Treatment of Quasi-corporations

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation abroad by residents of Norway of construction enterprises. However, the coverage of the data is considered to be limited as the transactions are able to be identified from the present data sources only in exceptional instances. Contrary to the international standards, the data do not include quasi-corporations arising from the operation abroad by residents of Norway of mobile equipment, such as ships, aircraft, and drilling rigs.

Treatment of Offshore Enterprises

Contrary to the international standards, the activities of offshore enterprises established abroad by residents of Norway are not included in the direct investment data, as these activities cannot be identified from the present data sources.

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, (i) activities of SPEs established abroad by residents of Norway are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Norway that have the primary purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt.

Treatment of Land and Buildings

In accordance with the international standards, the direct investment data include most purchases and sales of land and buildings abroad by enterprises and individuals resident in Norway. However, the purchases of noncommercial buildings, such as holiday homes, are not included. Land and buildings purchased abroad by enterprises and individuals resident in Norway on long-term leases are not included. Contrary to the international standards, the data are classified under other capital, rather than under equity capital.

Treatment of Natural Resources Exploration

In accordance with the international standards, expenditure related to natural resources exploration abroad by residents of Norway is included in the equity capital data. Contrary to the international standards, expenditure on bonus payments made by residents of Norway to the host country for the right to undertake exploration for natural resources is not included in the direct investment equity capital data when there is a clear intention to establish a direct investment enterprise, but instead is classified as a capital transfer in the balance of payments statistics. In accordance with the international standards, in instances of the shutdown of a direct investment enterprise established abroad by residents of Norway for natural resource exploration, no transactions are shown in the balance of payments statistics.

Exchange Rate Conversion

Most transactions, with the exception of the estimates of reinvested earnings, are converted to the unit of account at the exchange rate prevailing on the day of the transaction. Some transactions are converted at the average exchange rate for the period. The estimates of reinvested earnings are converted to the unit of account using a combination of the exchange rate prevailing on the day of the transaction and the rate used by the individual reporting enterprises.

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 the Norges Bank (NB) 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 27 months after the end of the reference year on the NB website <http://www.norges-bank.no> and on the website of Statistics Norway <http://www.ssb.no>. The data are also reported to the OECD and Eurostat, but not to the IMF for publication.

Revision Practices

The data are generally considered to be final when first released, although the data may occasionally be revised.

Any revised data are clearly identified in the disseminated data and the general public are informed of the reasons for any major revisions. There is no standard policy on whether, or how far back, the historical data are revised in cases of major changes in methodology or data collections.

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

Data Coverage

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

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

Data Collection Method

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

Data Sources

The data for all components are compiled from annual enterprise surveys of resident direct investors conducted by the tax authorities on foreign assets. The perpetual inventory method (a method for deriving position data from transactions data) is not used. There are plans to introduce a new data collection system in 2005.

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

A business register of enterprises involved in direct investment is used to compile the outward direct investment position data. The register is maintained by the NB and is updated on an annual basis using information from (i) the ITRS's list of transactors, (ii) the financial press, (iii) compulsory direct investment surveys, and (iv) a register maintained by the tax authorities. A different register is used for the inward direct investment position data. (No register is used for the inward and outward transactions data.)

Geographic Classification

Annual data showing breakdowns by country for the outward direct investment position data are compiled by the NB and disseminated once a year with a timeliness of 27 months after the reference year on the NB website <http://www.norges-bank.no> and on the website of Statistics Norway <http://www.ssb.no>. The data showing country breakdowns for the outward direct investment position data are also reported to the OECD and Eurostat. The data cover 15 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 Norway as at the end of 2001 (ranked in descending order) were: the United Kingdom, the United States, Sweden, Denmark, and Canada.

In addition to the data showing country breakdowns, annual data are compiled by the NB showing breakdowns of the outward direct investment position data for the following regions/economic zones: (i) the EU15, (ii) EFTA, and (iii) the OECD. These data are disseminated with a timeliness 27 months after the end of the reference period on the NB website <http://www.norges-bank.no> and on the website of Statistics Norway <http://www.ssb.no>.

There are no differences in the data coverage, sources, etc. between the outward position data showing geographic breakdowns disseminated in the national publications and those reported to the OECD and Eurostat. No aggregate outward position data are reported to the IMF for publication at present. However, there are differences 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 disseminated as part of the IIP statement with a timeliness of 9 months under the requirements of the IMF’s Special Data Dissemination Standards (SDDS), as the latter are estimates based on the latest available annual survey data, accumulated transactions, and revaluations.

Industrial Classification

Annual data showing breakdowns by industrial activity for the outward direct investment position data are compiled by the NB and are disseminated once a year with a timeliness of 27 months after the end of the reference year on the NB website <http://www.norges-bank.no> and on the website of Statistics Norway <http://www.ssb.no>. The data showing country breakdowns for the outward direct investment position are also reported to the OECD and Eurostat. The data show a breakdown for 15 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 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 Norway as at the end of 2002 (in descending order) were: (i) manufacturing, (ii) oil extraction, (iii) other business services, (iv) other transport and communications, and (v) ocean transport.

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

There are no differences in the data coverage, sources, etc. between the outward position data showing industrial activity breakdowns disseminated in the national publications and those reported to the OECD and Eurostat. No aggregate outward position data are reported to the IMF for publication at present. However, there are differences 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 disseminated as part of the IIP statement with a timeliness of 9 months under the requirements of the IMF’s Special Data Dissemination Standards (SDDS), as the latter are estimates based on the latest available annual survey data, accumulated transactions, and revaluations.

B. Methodology

Definition of Direct Investors

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

threshold is used to identify resident direct investors in the outward position data, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The "Fully Consolidated System" (FCS) recommended in the international standards is fully 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 Norway are not required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, or (ii) identify all transactions with the parent company. (Prior to 1998 enterprises in Norway were required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, and (ii) identify all transactions with the parent company.)

Treatment of Equity Capital and Reinvested Earnings

The equity capital position data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, (iv) other non-voting stocks (shares), and (v) noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity positions between affiliated banks and between affiliated financial intermediaries, and (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. Contrary to the international standards, (i) the data include non-participating preference shares, which are classified under equity capital rather than under other capital, and (ii) the treatment of affiliated financial auxiliaries (such as security dealers) differs from the treatment of other affiliated financial intermediaries and affiliated banks, in that the treatment of affiliated financial intermediaries specified in the international standards is not extended to the affiliated financial auxiliaries, which are treated as nonfinancial enterprises in the direct investment data. However, the impact on the data is considered to be minor.

The data on reinvested earnings cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings are recorded in the period in which they are earned, (ii) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings, and (iii) the data include reinvested earnings between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises. Contrary to the international standards, the treatment of affiliated financial auxiliaries (such as security dealers) differs from the treatment of other affiliated financial intermediaries and affiliated banks, in that the treatment of affiliated financial intermediaries specified in the international standards is not extended to the affiliated financial auxiliaries, which are treated as nonfinancial enterprises in the direct investment data. However, the impact on the data is considered to be minor. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment Abroad.)

Treatment of Other Capital

The other capital position data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) loan/debt guarantees provided by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) the data include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as being subordinated [perpetual] loans.) Contrary to the international standards, (i) the data include financial derivatives, (ii) the data do not include non-participating preference shares, which are classified under equity capital, rather than other capital, and (iii) the treatment of affiliated

financial auxiliaries (such as security dealers) differs from the treatment of other affiliated financial intermediaries and affiliated banks, in that the treatment of affiliated financial intermediaries specified in the international standards is not extended to the affiliated financial auxiliaries, which are treated as nonfinancial enterprises in the direct investment data. However, the impact on the data is considered to be minor.

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 enterprises—either (i) the entire amount of the loan outstanding is treated as an equity capital 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 (ii) the entire amount of the loan outstanding is treated as 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 (iii) the periodic payments of principal and interest made by the guarantor are treated as equity capital 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, or (iv) the periodic payments of principal and interest made by the guarantor are treated as lending by the guarantor and recorded under “Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises” at the time the periodic payments are made.

Treatment of Reverse Investment

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

Assuming that the direct investment enterprise is a resident of Norway 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, contrary to the international standards, equity positions are recorded as “Liabilities: Direct Investment in Norway: Equity Capital: Claims on Direct Investors”, rather than as “Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises”, and loan positions are recorded as “Liabilities: Direct Investment in Norway: Other Capital: Claims on Direct Investors”, rather than as “Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises”.

Assuming that the direct investment enterprise is a resident of Norway and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity positions are recorded as “Assets: Portfolio Investment: Equity Securities” rather than as “Liabilities: Direct Investment in Norway: Equity Capital: Claims on Direct Investors”, and loan positions are recorded as “Liabilities: Direct Investment in Norway: Other Capital: Liabilities to Direct Investors”, rather than as “Liabilities: Direct Investment in Norway: Other Capital: Claims on Direct Investors”.

Treatment of Quasi-corporations

Contrary to the international standards, the data do not include quasi-corporations arising from the operation abroad by residents of Norway of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

Treatment of Offshore Enterprises

Contrary to the international standards, the activities of offshore enterprises established abroad by residents of Norway are not included in the direct investment data, as these activities cannot be identified from the present data sources.

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, (i) activities of SPEs established abroad by residents of Norway are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Norway that have the primary purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt.

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data include most instances of ownership of land and buildings abroad by enterprises and individuals resident in Norway. However, the purchases of noncommercial buildings, such as holiday homes, are not included. Land and buildings owned abroad by enterprises and individuals resident in Norway on long-term leases are not included. Contrary to the international standards, the data are classified either as equity capital or as other capital depending on the accounting practices of the reporting enterprises, rather than being all classified under equity capital.

Treatment of Natural Resources Exploration

In accordance with the international standards, (i) expenditure related to natural resources exploration abroad by residents of Norway is included in the equity capital data, (ii) expenditure on bonus payments made by residents of Norway to the host country for the right to undertake exploration for natural resources is included in the direct investment equity capital data when there is a clear intention to establish a direct investment enterprise, and (iii) in instances of the shutdown of a direct investment enterprise established abroad by residents of Norway for natural resource exploration, an adjustment to reflect that shutdown is made to the assets data on direct investment equity capital in the international investment position statistics

Valuation of Assets and Liabilities

The data on equity capital for both listed and unlisted enterprises are recorded at book values, which are the historical costs.

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

The book values used are those shown in the accounting records of the resident direct investors.

Exchange Rate Conversion

All positions are converted to the unit of account at the exchange rate used by the individual reporting enterprises.